Austria	Sch 22	Indonesia	Rp 3100	Philippines	Pes 20
Bahrain	Din 0.650	Israel	IS 3.50	Portugal	Esc 100
Belgium	Bfr 48	Italy	L 1600	S. Arabia	Rs 8.00
Canada	C$1.00	Japan	Y600	Singapore	S$ 4.10
Cyprus	C£0.75	Jordan	Fils 500	Spain	Pts 125
Denmark	Dkr 8.00	Kuwait	Fils 500	Sri Lanka	Rup 30
Egypt	£E2.25	Lebanon	£1.50.00	Sweden	Skr 8.00
Finland	Fmk 7.00	Luxembourg	Lfr 48	Switzerland	SFr 2.20
France	Ffr 6.50	Malaysia	Rin 4.25	Taiwan	NT $65
Germany	DM 2.20	Mexico	Pes 300	Tunisia	Din 0.800
Greece	Dr 100	Morocco	Dh 6.00	Turkey	L 500
Hong Kong	HK$ 12	Netherlands	Fl 3.00	U.A.E.	Dh 6.50
India	Rup 15	Norway	Nkr 7.00	U.S.A.	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,227 Thursday May 7 1987 D 8523 B

French TV industry spawns its own soap opera, Page 14

World news

Israeli aircraft in raid on Lebanon

Israeli aircraft swept into the Sidon area for the second time in five days, inflicting heavy damage on a guerrilla command post and a residential district of a large refugee camp. Reports said at least seven people were killed and 28 injured, including women and children, as the aircraft bombed the crowded Ain Al Hilweh camp for 20 minutes.

Soviet-designed Katyusha rockets struck northern Israel for the second time in 48 hours, apparently in reprisal according to military sources, but caused no damage or casualties. Page 3

Death sentences

Sixty people, including nine former Government ministers, were sentenced to death in secret trials of supporters of the late Guinean dictator Ahmed Sekou Toure, an official statement said.

Amnesty ruled out

The Greek Government ruled out the possibility of an amnesty for former military junta leader George Papadopoulos and leaders serving life sentences.

Journalists expelled

The South African Government expelled two Australian television journalists Richard Carleton and Jennifer Ainge, for alleged biased reporting.

Seoul protests

Anti-government protests intensified throughout South Korea as MPs traded sharp accusations over President Chun Doo Hwan's decision to shelve plans for electoral reforms.

Aircraft shot down

The rebel Sudan People's Liberation Army claimed responsibility for shooting down a light aircraft in southern Sudan, killing 13 people including four children.

Waldheim probe

An Austrian commission is to examine Yugoslav state archives in Belgrade next week to discover whether they contain fresh information on the Second World War record of President Kurt Waldheim, a delegation member said.

175 feared dead

Up to 175 people are now feared to have died in a landslide which engulfed a limestone mining village in the Indonesian island of Sumatra.

Relief workers held

Suspected Moslem rebels are holding six International Red Cross relief workers, including two Swiss citizens, in the southern Philippines, Colonel Woodrow Estrera, a military commander, said.

Statehood for Goa

The former Portuguese enclave of Goa, taken over by India in 1961, is to become India's 25th state.

Irish blackout

An Irish electricity workers' strike caused widespread disruption in industry and on farms.

Oilfield 'hit'

Iraq said its aircraft attacked Iran's offshore Sassan oilfield in the southern Gulf, setting installations ablaze.

Widow sues US

The widow of Challenger astronaut Michael Smith filed a $1.5bn lawsuit against the US Government, rocket builder Morton Thiokol and a former senior US space agency manager.

Dante's ashes found

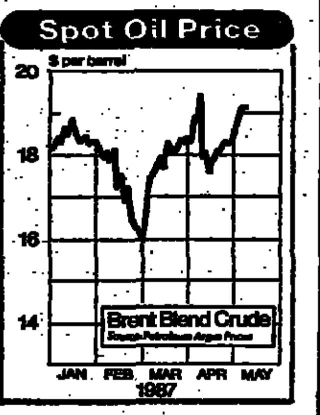
The ashes of Italian poet Dante, who died in 1321, have been found in the Senate building in Rome.

Business summary

Hoechst profits advance by 5.7%

HOECHST, leading West German chemicals group, increased pre-tax earnings for the first-quarter of 1987 by 5.7 per cent to DM 686 ($387m) against DM 649m in the first quarter of 1986, despite a 3.5 per cent fall in turnover. Page 15

Spot Oil Price



OIL PRICES remained firm in London, with the Brent crude spot price rising to $19.15, up 55 cents since Friday, following a squeeze in the market and a strong rise in the price of oil products. Page 26

WALL STREET: The Dow Jones industrial average closed up 4.12 at 2,342.19. Page 38

TOKYO: The unabated rise of the yen and post-holiday blues among investors dragged the Nikkei average down 90.47 to 23,918.56. Page 38.

LONDON: Favourable domestic factors and a steadier dollar helped take equities into record territory. FT-SE 100 index gained 21.4 to a high of 2,086.5 and the FT Ordinary index surged 13.6 to a 1,640.5 peak. Details, Page 34

GOLD rose in London by $1.25 $458.75 on the London bullion market. It fell in Zurich to $455.75 from $459.00. In New York the June Comex settlement was $460.80. Page 26

DOLLAR closed in New York at DM 1.7875; SFr 1.4510; FFr 5.9155 and Y138.85. It rose in London to DM 1.7725 (DM 1.7690); FFr 5.9275 (FFr 5.9175); Y139.15 (Y138.70), but was unchanged at SFr 1.4535. On Bank of England figures the dollar's index fell 0.2 to 99.5 Page 27

STERLING closed in New York at $1.6870. It fell in London to $1.6850 ($1.6885); FFr 9.9875 (FFr 9.9925); SFr 2.4500 (SFr 2.455); was unchanged at DM 2.9875 and rose to Y234.50 (Y234.25). The pound's exchange rate index rose 0.2 to 73.7. Page 27

ABOUT 80 per cent of assets of equity investors in partnership managed by Ivan Boesky have been realised, Guinness the UK brewer, told shareholders. Page 7

WEST GERMAN Government acknowledged that 1987 economic growth might drop below the 2.5 per cent forecast in January, mainly because of the falling dollar. Page 2

KAUFHOF, West German stores group in which the Metro cash-and-carry concern has built up a large stake, announced a rise in dividend on the back of sharply higher profits for 1986. Page 15

METALLGESELLSCHAFT, West German metals and mining group, is to reorganise foreign mining interest in new Canadian-based company, which will be listed on the Toronto stock exchange. Page 15

GRAND METROPOLITAN, UK hotels and brewing group, has agreed with Elders IXL of Australia to share rights to brew and market Fosters lager in Britain. Lex, Page 14

TIGER OATS, diversified South African food group, raised first-half interim pre-tax operating profit to R105.3m from R87.6 in the corresponding period last year. Page 15

NEXT, UK fashion and mail order group, launched counter-bid worth £325m ($520m) for combined English Stores. Page 15

NORSK DATA, Norwegian minicomputer group, expects profits for the current year to exceed NKr 550m ($82m). Page 15

Secord says US, Israel sold arms to Tehran

BY LIONEL BARBER IN WASHINGTON

THE US and Israel Governments operated a "joint venture" to sell arms to Iran in return for the release of American hostages held in Lebanon, the first witness in the Iran-Contra hearings on Capitol Hill, claimed yesterday.

Mr Richard Secord, the former US Air Force general, offered a gripping account of the origins and demise of the secret arms deals between the US and Iran during 1985/1986 and prised open the scandal that has dominated the American political scene for the past six months.

In testimony to House and Senate legislators, Mr Secord said senior Israeli government officials took part in meetings with Iranians in London, Frankfurt and Tehran last year aimed at freeing hostages held by pro-Iranian extremists in Beirut.

His account, which mixed black comedy with action-packed descriptions of undercover US arms shipments to Iran via Israel, revealed a relationship marked by distrust, deceit and frustration on all sides.

The second day of the hearings began on a sombre note with Senator Daniel Inouye paying tribute on behalf of the Joint Congressional Panel to Mr William Casey, the former CIA director who died of pneumonia yesterday morning. Mr Casey, who underwent surgery for brain cancer last December, was a central figure in the Iran Contra scandal and his death is likely to leave questions about the involvement of high-level US officials in the scandal unanswered.

Separately, Mr Lawrence Walsh, the independent counsel leading a criminal inquiry into the scandal, announced that Mr Richard Miller, a Washington public relations executive, had pleaded guilty to charges that he was part of a conspiracy to defraud the US Government using a tax evasion scheme to raise private funds for the Nicaraguan Contra rebels.

Mr Miller is the second person to plead guilty to such charges. Last week, Mr Carl "Spitz" Channell admitted charges involving $2.1m raised to supply arms to the Contras.

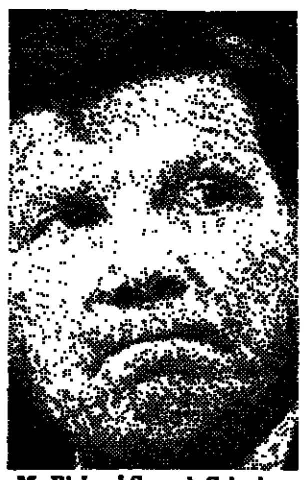
By pleading guilty Mr Miller will almost certainly co-operate with Mr Walsh's criminal inquiry and brings it closer to the key players in the scandal. Mr Miller, like Mr Channel, has implicated Lt-Col Oliver North the sacked White House aide.

Mr Secord said in his testimony yesterday that he and Lt-Col North arranged for arms shipments to Iran through the Israeli Government and an Iranian intermediary and arms dealer, Mr Manucher Ghorbanifar whom he described as unreliable and duplicitous.

"He had a good sales pitch (about opening a new strategic relationship between the US and Iran)," Mr Secord said. "But it always came down to a blatant set of projects for trading arms for hostages."

Mr Secord said Israel had provided the essential cover for the arms shipments to Iran. If they had been exposed, "Israel had agreed to take the hit."

At a meeting near Hyde Park, London, in December 1985, attended by two private Israeli arms dealers, a senior Israeli Foreign Ministry official, Mr David Kimche, and Mr Ghorbanifar, the talks degenerated into arms-for-hostages discussions.



Mr Richard Secord: Gripping account of arms deals

On the US-Israeli relationship during the deals, Mr Secord said: "It was a joint venture. The Israelis were to provide a secure base to make the shipments."

Mr Secord told lawmakers that on November 25, last year, when President Reagan broke news of the contra funds diversion, he tried to reach the president by phone.

Rear Admiral John Poindexter, the national security adviser who resigned that day, told Mr Secord: "It is too late. They have already built a wall around him."

Later that day, Mr Secord was with Lt-Col North, when the President came on the line. "Lt-Col North said he was sorry it had to end this way, and he stood to attention like a good marine," said Mr Secord. Mr Secord also revealed yesterday that Lt-Col North received a second call of condolence, this time from Vice President George Bush.

Mr Secord said he was told on several occasions that President Reagan had been informed of his participation in Contra operations and later in the Iranian operation.

He said Mr Poindexter told him that the President was pleased with his work.

Casey takes secrets to the grave, Page 4

Thatcher turns down call for MI5 inquiry

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT, IN LONDON

MRS Margaret Thatcher, the British Prime Minister, yesterday flatly rejected a call from Sir James Callaghan, the former Prime Minister, to set up an inquiry into allegations that members of the MI5 security service plotted to undermine the Wilson Government of 1974-76.

Despite expectations in parliament that any direct intervention by Sir James – who in 1977 ordered his own inquiry into allegations of a conspiracy within the security services – might force Mrs Thatcher to launch a fresh investigation, she told MPs that no further action was justified.

She revealed that Sir Anthony Duff, the director general of MI5, had just completed a comprehensive investigation of allegations stretching back 10 years and said that no truth had been found in any of them. It was time, she added, "to stop raking over the embers" and to assert confidence in the security services.

The Prime Minister, whose statement was widely welcomed on the Conservative benches, attacked the opposition for abandoning the traditional, bipartisan approach to issues of national security, a theme she is expected to repeat if the controversy continues.

She was immediately accused by opposition Labour MPs of orchestrating a "cover-up" and of ignoring pressure from within the security services for a full examination of the affair. Despite Mrs Thatcher's resolve, the opposition intends to maintain pressure for a full investigation although it accepts that the issue will at least temporarily take a back seat with the onset of the expected general election campaign.

Sir James broke his recent silence on the affair yesterday morning, claiming that continuing speculation over the contents of the book by Mr Peter Wright, the former MI5 officer, would damage public confidence and hinder the work of the security service.

He said he supported an inquiry conducted from outside the security service and wanted to see the creation of a standing body to monitor the service's activities.

After hearing Mrs Thatcher's response, Sir James said he was only partially reassured by her remarks, which had been drawn out of her by his statement. He accused her of being "stubborn" in not yielding to suggestions for an inquiry which could objectively examine the allegations.

Continued on Page 14
Editorial comment, Page 12

South Africa's white voters go to polls

BY ANTHONY ROBINSON IN JOHANNESBURG

POLLING STATIONS across South Africa reported heavy voting in yesterday's whites only election while over 1m black workers registered their second day of protest against their exclusion by staying away from work.

The ruling National Party is facing an unprecedented challenge from both right and left in the first general election for six years and the first to be contested by the right-wing Conservative Party which broke away from the National Party in 1982.

The first results in the election were expected in the late evening with the full results available Thursday afternoon.

Attention was focused last night on key marginal constituencies where at least four cabinet ministers seats were at risk and on the three seats where independent candidates were hoping for victories which would "break the mould" of South African politics after the election.

Electors in the Cape braved lashing rain and high winds to vote in the Helderberg constituency where Dr Denis Worrall, the former ambassador to London, was hoping to unseat Mr Chris Heunis, the Minister for Constitutional Development.

Voting was also brisk in the neighbouring university town of Stellenbosch where another independent, Ms Esther Lategan, was battling against the odds in a former National Party stronghold turned marginal by the revolt of Afrikaner intellectuals against the Government.

In Johannesburg Mr Wynand Malan, the former Nationalist who left the party in despair at the slow pace of reform, confidently predicted re-election as an independent in the affluent northern suburb of Randburg.

Three petrol bombs were thrown at a school in the Helderberg constituency early yesterday morning and police reported that polling day was marred by widespread but relatively minor violence, especially in the Durban area.

Police also reported the arrest of a suspected ANC "terrorist" after his car loaded with arms and limpet mines was stopped at a road block near the Botswana border.

The black stayaway, organised by the United Democratic Front and the trade unions was again most noticeable in the Transvaal and the Eastern Cape.

Johannesburg was eerily quiet without the usual bustling crowd of black workers and shoppers who remained at home in the surrounding townships of Soweto and Alexandra.

In Port Elizabeth employers reported an almost total stayaway.

Meanwhile, over 11,000 readers of the black Sowetan newspaper meanwhile cast their own vote in the paper's unofficial poll.

Jailed African National Congress leader Mr Nelson Mandela came top of the list followed by Mr Oliver Tambo the ANC's leader in exile.

Venice acts to limit tourists

By John Wyles in Rome

TRANSFORMED from city state to tourist city, Venice had until yesterday welcomed virtually all those who wished to savour its artistic treasures and to pay its high prices. But now, groaning under the burden of its own success, the Serenissima has decided that this summer it must put up the tourist barrier.

The city fathers have been suffering a steadily rising alarm about the number of daily visitors since the inundation at carnival time in February. Panic set in over May Day weekend when police had to create one-way pedestrian passages in the narrow streets. The causeway linking the historic city with the mainland had to be closed at 10am on Saturday.

After a series of newspaper

Continued on Page 14

Big Canadian mining groups plan merger

BY BERNARD SIMON IN TORONTO

THREE leading Canadian mining companies announced plans yesterday to pool their resources to create North America's biggest gold producer and a major new force on international mining.

Placer Development of Vancouver, and Toronto-based Dome Mines and Campbell Red Lake Mines have agreed to amalgamate.

The resulting company will have an annual gold output, based on 1986 production, of 825,000 ounces, making it one of the biggest gold producers outside South Africa and the Soviet Union. In addition, it will be a significant producer of silver, copper, molybdenum, oil and gas, with interests in Canada, the US, Mexico, Australia and Papua New Guinea.

The three companies had combined revenues of C$916.3m (US$809m) last year, with income totalling C$171m. Placer contributed 47 per cent of sales and 41 per cent of net earnings.

Placer's present shareholders will own about 45 per cent of the new company, Dome Mines shareholders will own 37 per cent, and Campbell's shareholders 18 per cent. Dome's present 50.2 per cent interest in Campbell would be cancelled.

The companies complement each other in a number of ways. Dome and Campbell, which are both conservatively-managed groups, have specialised in underground mines in Canada. Placer has broader interests, which include control of the Kidston gold mine in Queensland, Australia's biggest gold producer, and a strong project development group.

In the terms of the proposed merger, Placer shareholders will receive one common share in the new company for each existing Placer share following a forthcoming two-for-one share split. Dome Mines shareholders would receive 0.851 shares in the new company for each share, and Campbell shareholders 1.702 shares.

EC members to be asked for an additional Ecu 5bn in 1988

BY QUENTIN PEEL IN BRUSSELS

THE European Commission is set to ask the 12 member states of the European Community for at least Ecu 5bn ($5.9bn) more than their legal contributions in 1988, just to keep the EC budget solvent.

The demand comes on top of another Ecu 5bn being sought in the current year to balance the books in Brussels, because of the combined effects of declining customs revenues and soaring export subsidy costs for farm surpluses.

Precise details of the two big spending gaps are to be finalised by the 17-man Commission, the EC executive body, next week, but the broad outlines emerged after a debate on the growing financial crisis in Brussels yesterday.

The whole subject is now due to be thrashed out by Community finance ministers when they meet on Monday, but there is little chance that they will be able to get anywhere near agreement on how or when to provide extra finance.

The British government has already stated flatly that it will not approve any extra contributions to Brussels in the current year, insisting that the gap must be filled instead by drastic savings. British ministers also maintain that there is no need to raise the present ceiling on national payments – set at a notional 1.4 per cent value added tax rate on a common basket of goods and services – even in 1988.

The Netherlands, France and West Germany are all determined to keep their budget contributions down to a minimum, although all are more divided than the UK because of the benefits they derive from the Common Agricultural Policy (CAP), the main offender.

On the other hand, southern member states such as Italy and Spain are equally determined to block short-term solutions to the budget crisis unless there is agreement on a more equitable long-term financing package, providing more cash for social and regional spending in the poorest regions of the Community.

The proposals by Mr Jacques Delors, the Commission President, for a radical overhaul of future financing – switching from the present VAT base to a fairer gross national product-related system – are one item on the finance ministers' agenda. There is also the question of how to fill the Ecu 5bn gap in 1987 and what figures to lay down for maintaining budget discipline in 1988.

It now seems clear that any hope by the finance ministers that they can maintain the system of budget discipline – or spending control – launched in 1984 is doomed to failure.

There has been no hint of common ground among the officials meeting in Brussels on how to impose the rule that farm spending must grow no faster than the growth of EC budget contributions, or on the rate of growth for other spending.

The Commission's budget proposals for 1988 do seek to keep the growth of farm spending down, but only by using 1987 spending as a base year, and not the original 1984-85 level.

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VIETNAM TAKES A PAINFUL PATH TO STABILITY

Nguyen Van Linh has put Vietnam on the road to economic and political reform. Page 12

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EUROPEAN NEWS

GOVERNMENT BLAMES DOLLAR'S EFFECT ON EXPORTS

Signs of weakness in West German growth

BY DAVID MARSH IN BONN

THE West German Government has admitted for the first time that economic growth in 1987 may fall below the 2.5 per cent forecast in January, mainly as a result of the damage to exports wrought by the fall in the dollar.

The statement, from Mr Martin Bangemann, the Economics Minister, held out no prospect of any further action to stimulate the economy in addition to an extra DM 5bn of tax cuts already programmed for January.

The Bundesbank is considering steering a minor cut in money market interest rates partly to help international efforts to stabilise the dollar, but this would not be expected to have much effect on the economy.

Further signs of weakening growth came yesterday with news that West German industrial production in March dropped by 3 per cent, on provisional figures, compared with February, partly because of cold weather.

The Government received some comfort from unemployment figures, also published yesterday, showing that the number of people out of work dropped in April by nearly 200,000 to 2.22m. This represented 8.8 per cent of the population against 9.6 per cent in March.

However, Mr Heinrich Franke, president of the Federal Labour Office, said an only modest seasonally adjusted rise in employment of 10,000 last month showed that the economic recovery had come to "a pause."

In a characteristically buoyant speech which was sharply attacked by the opposition Social Democratic Party (SDP), Mr Bangemann told Parliament that "the decisive thing is not whether we have half a percentage point more or less growth in a calendar year."

Mr Bangemann in previous months has stuck defiantly to the 2.5 per cent forecast in the face of downward revisions in growth projections by independent forecasters.

He said yesterday that, while there was no danger of a downturn or recession, the 80 per cent rise in the D-Mark against the dollar during the past two years had acted as a "shock" on companies which had made them more reluctant to invest.

Yesterday's opening of a parliamentary debate on the economy came ahead of today's meeting of the policy-making Bundesbank council. The meeting, to be attended by Mr Gerhard Stoltenberg, the Finance Minister, is expected to address the question of lowering the Bundesbank's money market intervention rates in the next few weeks.

The interest rate at which the Bundesbank makes liquidity available to the banks for one month periods, taking securities as collateral, is presently 3.8 per cent but could fall by 0.5 points as early as next week. However, the Bundesbank is not discussing at this stage cutting its main discount or Lombard rates which represent its main instrument for steering monetary policy.

East Germany withdraws Berlin invitation

BY LESLIE COLITT IN BERLIN

EAST GERMANY has withdrawn an invitation to Mr Eberhard Diepgen, West Berlin's governing mayor, to take part in a ceremony in East Berlin marking the 750th anniversary of the city. It took the action in retaliation for remarks made last week in West Berlin by the mayor and Chancellor Helmut Kohl.

The East Germans also cancelled what would have been the first official contact between East and West Berlin boroughs since the city was divided in 1948. A Foreign Ministry spokesman blamed "slanderous insults" by Mr Kohl and Mr Diepgen. The latter, however, said he suspected East Germany had acted under Soviet pressure.

A meeting scheduled for yesterday in East Berlin between the mayors of the adjoining boroughs of Reinickendorf in the West and Pankow in the East was called off by the East Berlin mayor. He gave as a reason the "misuse" of last week's ceremony in West Berlin to mark the 750th anniversary of Berlin for a "smear campaign" against East Germany.

Last weekend Mr Kohl was criticised sharply by the Soviet and East German media for referring to Berlin in his speech as a "symbol of the open German question." He also said West Germany would never come to terms with the "Wall and barbed wire."

The Soviet Foreign Ministry spokesman, Mr Gennadi Gerassimov, on Tuesday said Mr Kohl's presence in West Berlin and that of other West German representatives did not conform with West Berlin's status as an "independent political unit." Mr Gerassimov said the 1971 Four Power agreement stipulated that West Berlin was "not part of West Germany and could not be governed by it in the future."

Mr Diepgen: suspects Soviet pressure

Bonn cabinet still divided over 'zero option' offer

BY DAVID MARSH IN BONN

THE WEST GERMAN Government yesterday again failed to reach a common line on the latest Soviet offer to dismantle shorter range nuclear missiles in Europe. This leaves Chancellor Helmut Kohl exposed to a probable stepping up of pressure from both Moscow and Washington in the next few weeks for Bonn to accept the latest "zero option" proposals.

Three hours of talks yesterday between Mr Kohl and leading government ministers brought no significant narrowing of differences.

Mr Kohl, backed by senior members of his Christian Democratic Union (CDU) and its Bavarian sister party, the Christian Social Union (CSU), is continuing to call for cuts in the Soviet Union's conventional and chemical forces as a condition for accepting removal of shorter range intermediate nuclear forces (SRINF). These are missiles of 500 km-1,000 km range which—leaving aside the West German Pershing IA missiles which are formally the property of the Federal Government—are presently based exclusively in eastern Europe.

Mr Hans-Dietrich Genscher, the Foreign Minister, a leading member of the junior coalition partners, the Free Democratic Party (FDP), outlined to yesterday's meeting the FDP's support for removing both shorter and longer range nuclear missiles in Europe.

Mr Genscher's line has been backed fully by the rest of his party. Both Mr Martin Bangemann, the chairman, and Mr Franz Josef Strauss, head of the CSU, took part in yesterday's talks. The inconclusive outcome means that, as expected, Mr Kohl will be able to give only a provisional statement to Parliament today.

Government officials said yesterday that a series of contacts with European allies in the next few weeks should allow the Kohl administration to draw up a common line by the end of May.

The US Administration over this time is expected to press home its view that Bonn has little choice but to accept the short range proposals unless it wants to go back on election pledges by deciding a fresh deployment of short range nuclear weapons to match present Soviet strength.

Nato stresses problems of missiles proposals

BY OUR BRUSSELS CORRESPONDENT

MEMBERS of the Nato alliance yesterday refused once again to be rushed into a rapid response to the Soviet Union's latest disarmament proposals, laying the stress on the problems rather than the prospects raised by the "double zero option" of removing shorter and longer range missiles from Europe.

Diplomats at Nato headquarters in Brussels spelt out a range of issues yet to be answered, although they admitted that the biggest unknown factor within the alliance remains the response of the West German Government to the prospect of shorter-range as well as longer-range missiles being removed from Europe.

The only statement to be issued from the council meeting, attended by the permanent representatives of the member states, said they heard a briefing on the INF (intermediate-nuclear forces) talks in Geneva from Mr Maynard Glitman, the chief US negotiator, as "part of the continuing consultations on developing a common response to recent Soviet proposals."

Officials said the outstanding problems included the differing Soviet proposals made first by Mr Mikhail Gorbachev to Mr George Shultz, the US Secretary of State, in Moscow, and then by Mr Alexei Obukhov, the chief Soviet negotiator, in Geneva.

They say Mr Gorbachev proposed a global deal to remove shorter-range (500 km-1,000 km) missiles as well as longer-range (1,000 km-3,000 km) missiles. Mr Obukhov appeared to be talking only of removing the short-range missiles from Europe, in spite of their obvious manoeuvrability back into the region.

Nato also wants the longer-range part of the deal — the only part already subject to formal treaty proposals — to remove all the missiles on a global basis.

It is also resisting, without total conviction, the Soviet proposal that 72 Pershing 1A missiles, controlled by West Germany, but with warheads controlled by the US, be included as part of the shorter-range disarmament. That was also added after the Gorbachev-Shultz talks.

Barbie's barrister baffles French

WHEN SS officer Klaus Barbie fled France in 1944, the man who is now defending him on charges of crimes against humanity was marching to liberate Paris with the Free French Forces of General de Gaulle, Reuter reports from Paris.

"If he had been at the end of the barrel of my gun, I would have shot him dead," Mr Jacques Verges, 62, said. "Now I am simply doing my job as a lawyer."

But little that Mr Verges says or does is quite so straightforward.

Recognised as one of France's most brilliant barristers, he has a taste for provocation and publicity that has confused, bedazzled and upset many of his colleagues and the public for years.

"The best literature comes from crime. A criminal lawyer and his client are like two film directors editing the rushes," says the man whose fame rests largely on a willingness to plead seemingly indefensible cases spurned by others.

A left-wing radical who has dabbled in almost every revolutionary cause of the past three decades. Mr Verges baffled the French by his decision to take on the case of a Nazi twice condemned to death in his absence for war crimes.

Equally puzzling to the public is a nine-year span in Verges' history in which he apparently disappeared off the face of the earth and about which he refuses to talk.

His vanishing act from 1970 to 1978 still arouses speculation over whether he has hidden aims or secret masters.

The calm and polished son of a French father and Vietnamese mother, Mr Verges was successively a Stalinist, Maoist and anti-colonialist militant before taking up the anti-Zionist cause of Middle East guerrillas such as Mr Georges Ibrahim Abdallah, whom he defended in February.

As a student leader and member of the French Communist Party, he befriended a young Kampuchean student whose name Pol Pot – later became a byword for ruthless fanaticism.

On a trip to China in 1962 Mr Verges met Mao Tse-Tung and then returned to France to run the Maoist journal Revolution that sent guerrilla theoretician Mr Regis Debray on his first trip to Latin America.

He says he also ran arms to guerrilla groups fighting Portuguese colonial rule in Mozambique and Angola.

His exploits have fuelled repeated allegations in the French press and among his colleagues that he is a KGB agent, a member of a hard-line Palestinian group or part of an international terrorist network.

His nine-year absence has been put down to a stay in Kampuchea, a lengthy training exercise in a Middle East camp or a spell in a foreign jail in China, the Soviet Union or in Algeria and several other possible explanations.

Mr Verges, who clearly enjoys cultivating the mystery, fends off questions on his past or his motives with disarming charm and a trace of mockery.

In his quiet and expensive three-storey home at the back of a Paris courtyard, Mr Verges says he set so much store by the Barbie case that he took it on without a fee. The six to eight-week trial alone, starting on May 11, would put him $100,000 out of pocket.

The hearings, he adds, are likely to be the most controversial in France since Jewish officer Alfred Dreyfus was put on trial late last century for treason, a case which divided the French nation and aroused fierce debate on anti-Semitism.

This time the focus will be on the ambiguities of France's response towards four years of Nazi occupation, and Mr Verges says he aims to smash what he calls the "official lie" of widespread resistance.

Mr Verges says his client will reveal the identities of traitors to the underground Resistance movement, some of them now in high posts, and stress French willingness to collaborate with the enemy during Barbie's time as a Gestapo chief in the south-eastern city of Lyons from 1942 to 1944.

But most French commentators believe Mr Verges to be equally interested in staging a new assault in his flamboyant one-man war against the Western establishment.

Born in Thailand, Mr Verges spent his childhood in the French-ruled Indian Ocean island of La Réunion, where his father went after losing his job as consul because of his marriage to a Vietnamese.

Aeroflot aims higher

By David Buchan

THE SENIOR Soviet air force officer appointed this week to head Aeroflot faces the daunting task of improving what is arguably the world's worst service in terms of passenger comfort on what is indisputably the world's largest airline.

The military seniority of Mr Alexander Volkov, who was deputy air force commander in chief, may underline the seriousness of the Soviet leadership's intent to upgrade the airline's services, but Aeroflot's link with the air force is long established. Mr Boris Bugayez held the rank of Air Chief Marshal while he headed Aeroflot from 1970 until he was shifted aside this week.

The appointment comes as Aeroflot is seeking to enlarge its share of the international market and preparing to introduce a new generation of long and medium haul airliners. Last year it carried 116m passengers. Though the vast majority of traffic was domestic — to and from 3,500 cities and towns inside the Soviet Union — this makes it by far the world's biggest carrier. For comparison, the largest Western carrier, American Airlines, carried 41m passengers in 1985.

Aeroflot does not reveal the exact size of its fleet. But since it, or its parent Civil Aviation Ministry with which it is virtually synonymous, is also responsible for all use of civil aircraft in the Soviet economy, its fleet is also the world's largest. The airline's An-2 biplanes spray fertiliser and pesticides on some 100m hectares of crop land a year, and in inaccessible places like Siberia its Ka-26, Mi-6 and Mi-8 helicopters carry building, oil and gas drilling equipment.

In an interview at Aeroflot's Moscow headquarters last week, Mr Viktor Shumsky, head of the airline's European and US division, said Aeroflot hoped to increase on the total of 6m foreigners it carried last year by introducing a business class this year and by generally improving service.

The main thrust for Aeroflot of *perestroika* — Mr Mikhail Gorbachev's economic reconstruction slogan—was to give more autonomy to the airline's divisions in each of the country's 14 smaller republics and its 32 divisions in the larger Russian Republic, said Mr Shumsky. This should make it more flexible in responding to the demands of industry and individual travellers.

Introduction of the medium haul Tu-204 airliner (replacing the Tu-154) and the new long haul Il-96 (replacing the Il-62) should take place by 1990, Mr Shumsky said. The Il-62 had no problem meeting current noise restrictions at New York and Washington DC where Aeroflot resumed flying a year ago, but the Il-96 would be quieter and be able to meet still lower proposed noise limits in the West, he claimed.

However, Aeroflot's biggest challenge lies in improving service to passengers, who, on internal Soviet flights of less than three hours, are given no food. When they do get sustenance, it often takes the form, in the words of one seasoned Western user of Aeroflot, of "hairy blue chicken, cold rice and peas."

Needless to say, travellers have no choice but to fly Aeroflot inside the Soviet Union, and ever Mr Gorbachev's *Perestroika* is not about to change that.

Cod deal heads off fish dispute

BY TIM DICKSON IN BRUSSELS

EUROPEAN fisheries ministers have headed off a potentially serious diplomatic dispute by agreeing a share out of cod quotas in parts of the Arctic and North Atlantic.

Only West Germany and (provisionally) Spain refused to go along with a European Commission compromise on how to divide up the total Community catch in the area known as Spitzbergen (off north Norway) and in three zones in the North West Atlantic Fisheries Organisation (NAFO) area.

The problem for ministers at Tuesday's Fish Council was that the total Spitzbergen quota for the 12 member states had already been fixed at 21,000 tonnes during last year's bilateral negotiations between the EC and Norway. Those most interested in fishing in the area—France, Britain and West Germany plus more recently Spain and Portugal—all expressed dissatisfaction in varying degrees with the Commission's original proposal. But for once the EC's time honoured option of breaking an impasse by giving everyone a little more was not available.

The Commission's successful compromise was to maintain the existing share out or "key" for the current year but to set a formula for future years which will help the British, French and West Germans as the overall quota or Total Allowable Catch for the Community is increased in line with conservationist restraints.

New scientific evidence enabled the Commission to raise the total permitted cod catch for one of the NAFO zones, but a change of key for future years was agreed for one of the other zones considerably benefiting the Spanish and the Portuguese.

Unlike their agricultural counterparts, fisheries ministers (who are often incidentally the same people) have a good recent record for getting things done, and Tuesday's compromise removes one of the biggest current obstacles to the smooth running of the Common Fisheries Policy.

In particular, the deal for Spitzbergen, which was the scene of an angry incident between Norway and the Community last July, should ensure better relations with Oslo. Fisheries relations between the EC and Canada have been at a low ebb for some time, but failure to agree on how to split up catches in the NATO areas — the total were set on the basis of scientific advice — would have left Brussels open to renewed criticism from Ottawa.

Parties debate deal with Ozal

BY DAVID BARCHARD IN ANKARA

PRESIDENT KENAN EVREN yesterday met the leaders of Turkey's three main opposition political parties to discuss a complex deal between government and opposition.

The parties are trying to decide whether to co-operate with the government of Mr Turgut Ozal to ease conditions for amending the 1982 constitution. In return, the way would be opened for political leaders such as former Prime Minister Mr Suleyman Demirel and Mr Bulent Ecevit to return completely to political activity before the next general elections.

The politicians were barred from holding office for 10 years by the military in 1982, who inserted a clause to this effect in the Turkish constitution which was approved in a tightly-controlled referendum that year.

As a result, two of Turkey's three main opposition parties are today led from behind the scenes by leaders who cannot be publicly acknowledged.

However, opposition leaders fear a trap in Mr Ozal's proposals for a change to the constitution followed by a referendum. His Motherland Party, at present just short of the votes needed to change the constitution single-handedly, would be enabled to change it whenever it wished during the lifetime of this parliament — in which it has a commanding majority.

Opposition leaders are also unhappy at the prospect of a referendum in which the banned leaders would not be able to campaign on the state television.

Speculation is meanwhile growing that Mr Ozal plans to hold an election this autumn one year ahead of schedule. The Motherland Party has been warned to prepare for a special session of parliament in the summer at which an election might be announced.

However, Mr Ozal may have difficulty in persuading parliamentarians, who would lose a year's salary and who might not be re-elected, to go along with an early poll.

Test for Community airfare policies

By William Dawkins in Brussels

A KEY legal test of an attempt to shortcircuit EC airlines' price-fixing arrangements was launched yesterday at the European Court of Justice in Luxembourg.

The court opened a preliminary hearing into a case brought by the West German Federal Court of Justice, questioning the permissibility under national and EC law of an ingenious cut-price ticket scheme devised by a Frankfurt travel agent.

The outcome will have a bearing on the European Commission's separate offensive to scrap price fixing by Community airlines, a practice which runs contrary to EC anti-cartel regulations.

Dr Karl Otto Lenz, one of the court's advocate generals, is expected to produce a legal opinion by the late summer, with a final judgment possibly by the year-end.

Yesterday's hearing arises out of the profits made by Mr Ahmed Saeed, a Lebanese travel agent working in Frankfurt, from an anomaly in the fare structures agreed by Lufthansa with the West German Transport Ministry.

Lufthansa is among 10 major European airlines undergoing separate negotiations with the Commission on the removal of bilateral deals fixing prices and sharing revenues and seat capacity.

Mr Saeed discovered that Lufthansa tickets from Lisbon via Frankfurt to Tokyo were 20-30 per cent cheaper than those from Frankfurt to Tokyo direct. So he was able to underprice German competitors substantially by buying Tokyo tickets in Lisbon for sale to travellers in Frankfurt.

A West German official competition monitoring group won a decree from the federal court that Mr Saeed was breaking national law, but the federal authorities took the case to Luxembourg because they wanted clarification of whether or not this was also true under EC competition rules.

Brussels study into scrapping ships

THE European Commission plans to launch a study soon into the feasibility of a scheme to encourage EC shipowners to scrap surplus vessels, writes William Dawkins in Brussels.

Mr Stanley Clinton Davis, the Commissioner responsible for the sector, told a shipping symposium in Antwerp yesterday that a scrapping policy would form part of the EC's "essential efforts" to reduce shipping overcapacity, currently running at about a quarter of the world's merchant fleet, according to trade estimates.

Natural gas offers Sweden alternative

BY SARA WEBB IN STOCKHOLM

NATURAL GAS could be the main replacement for nuclear power in Sweden, and as a source of energy would prove cheaper than coal in terms of investment in new power plants and maintenance, according to the Swedish National Energy Board's latest report.

The Swedish government plans to phase out the first of the country's 12 nuclear reactors between 1993-95, provided suitable alternative sources of energy can be found.

So far, natural gas accounts for only a small proportion of Swedish energy needs. Sweden started to import gas from Denmark in 1985 and has developed pipelines along the south-west coast which are expected to reach as far as Gothenburg this summer.

The energy board report suggests that gas pipelines could be extended from the south-west coast across central Sweden to connect Stockholm and Gävle on the east coast by 1993-94.

This could allow Sweden eventually to link up with Finnish gas pipes by extending under the Baltic and possibly start importing from the Soviet Union.

The energy board recommends that Sweden should not be dependent on one supplier of natural gas. So far, Sweden has bought only from Denmark, and a certain amount of friction arose when Denmark refused to lower the price of its initial contract in line with falling oil prices.

Since then, Sweden has been looking at alternative suppliers. The energy board has studied the possibility of buying natural gas from the Norwegian Haltenbank field, which is thought to contain 300bn - 350bn cubic metres of gas.

The energy board estimates that Sweden may need to import up to 4bn cubic metres of natural gas to replace its 12 nuclear reactors which would make it commercially viable to build pipelines between Haltenbank and Sweden.

Greeks braced for wave of strikes

ANOTHER wave of strikes will hit Greece this week as civil servants, transport workers, hospitals, banks and schools protest against socialist Prime Minister Andreas Papandreou's unpopular austerity program, Reuter reports from Athens.

The latest in a series of work stoppages which have plagued Greece in recent months start tomorrow, when at least 300,000 civil servants are due to go on a 48-hour strike.

Fifteen domestic flights by the state-run Olympic Airways have been cancelled, and rail services will be closed down for three hours today and tomorrow.

Hospital doctors and nurses will be on strike with only emergency services in force. Banks, schools, government offices and some industries will be closed.

Other protest action in recent months has included two general strikes involving up to 2m workers.

The labour unions are demanding the withdrawal of Mr Papandreou's two-year austerity programme.

Labour unrest in Spain claims its first victim

BY DAVID WHITE IN MADRID

THE SMALL industrial town of Reinosa in northern Spain again became the centre of labour tension yesterday after the recent series of country-wide conflicts claimed their first fatal victim.

A 32-year-old steelworker belonging to the Communist-led workers' Commissions trade union, died in hospital on Tuesday, apparently from the effects of smoke bombs thrown into a garage where he was taking refuge after being injured during a clash with Civil Guards three weeks ago.

An employee of the state-owned Forjas y Aceros de Reinosa, which has been the scene of violent incidents over lay-off plans since March, he was treated after the demonstration for a broken nose but then discharged.

A 48-hour strike at the company and at the Reinosa plant of Cenemesa, formerly Westinghouse, was planned in protest. Both Workers' Commissions and the Socialist UGT union called for a minute's silence throughout the country and a two-hour stoppage in the Cantabria region today.

The Madrid Government's chief representative in the region later issued a note regretting the death but adding that it would not have happened if the "normal channels" for labour disputes had been respected.

Fanfani in Tokyo visit to prepare Venice summit

BY JOHN WYLES IN ROME

MR AMINTORE FANFANI, the acting Italian Prime Minister, leaves for Tokyo tomorrow in a necessarily hasty attempt to prepare himself and other heads of government for the seven-nation economic summit he will be hosting in Venice next month.

Last week's dissolution of the Italian parliament and the calling of general elections for June 14—four days after the summit ends — established beyond doubt that the caretaker Prime Minister would be conducting the summit rather than Mr Bettino Craxi, the Socialist leader who was Prime Minister for the past three and a half years.

Mr Fanfani, a veteran Christian Democrat prime minister of the 1960s, will have talks with Mr Yasuhiro Nakasone, the Japanese Prime Minister, this weekend. He will do a round of the French, West German, and British capitals in a fortnight's time and go to Washington at the end of the month.

Within three or four days of meeting 80-year-old Mr Fanfani in the White House, President Reagan will arrive in Italy on June 3 for the summit which begins on June 8. What was to have been an official visit by Mr Reagan has been turned into a private one because of the Italian election campaign.

International Jewish organisation meets behind the Iron Curtain

BY OUR BERLIN CORRESPONDENT

THE World Jewish Congress opened its annual meeting in Hungary yesterday, the first it has ever held in a Communist country. The situation of Jews worldwide, including those in the Soviet Union and Eastern Europe, will be dealt with during the three-day meeting in Budapest of the international executive which represents Jewish communities in 36 countries.

Attention will focus on Moscow which has given indications it is prepared to allow more Jews to emigrate. Delegates said another main topic was likely to be the controversy about repeated charges by the Congress that Austria's President, Dr Kurt Waldheim, was involved in the deportation of Jews during the Second World War. The US Justice Department recently banned him from entering the US as a private person.

The action was strongly condemned by Dr Waldheim and the Austrian Government. Most of the material presented on his alleged role as an officer of the German army in the Balkans stemmed from the World Jewish Congress. Some delegates to the Budapest meeting said the recent Hungarian invitation to Dr Waldheim to visit Budapest next year had "surprised" them.

Mr Edgar Bronfman, Congress president, had talks earlier this year with the Soviet officials which he said indicated a shift in Moscow's position on Jewish emigration. The number of Soviet Jews allowed out to the West has risen steadily and Moscow was said last month to be considering allowing a large number to emigrate via Romania which has a direct air link with Israel.

Mr Bronfman said on his arrival in Budapest that holding the meeting in a Socialist country was "of great political significance."

Hungary has about 85,000 Jews, the largest number in any East European country. Their treatment by the Government is regarded as exemplary by Jewish organisations in the West. Hungary unveiled a statue last Saturday to the Swedish diplomat, Mr Raoul Wallenberg, who helped save some 25,000 Hungarian Jews from deportation to Nazi death camps. The Soviet Union, which said Mr Wallenberg died in prison in Moscow in 1947, had long opposed Hungary's wish to erect a memorial.

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Zimbabwe warned of poor growth prospects

By Tony Hawkins in Harare

ZIMBABWE'S largest banking group, Standard Chartered, today warns that economic growth prospects are less favourable than in the early 1980s. In its May economic bulletin the bank predicts a fall of some 3.5 per cent in real gross domestic product (GDP) this year following marginal growth of 0.2 per cent last year.

In a generally downbeat assessment of economic prospects it points that since independence Zimbabwe has relied heavily on public sector spending and agriculture for its growth. No less than 40 per cent of the increase in value added since 1980 was in public administration and education while agriculture contributed 25 per cent and manufacturing only 15 per cent—almost all of which came in 1981. There had been no real growth in the mining sector.

The bulletin forecasts that real agriculture output will fall about 15 per cent because of the drought and weak tobacco prices, though this will be partially offset by increased earnings from cotton, beef and sugar. It says manufacturing production is likely to fall some 5 per cent while mining growth will depend heavily on the bullion price.

It forecasts that by the end of this year real incomes in Zimbabwe will be no higher than before independence in 1979.

It sees no improvement in 1988 because of the continuing pressure on the balance of payments arising mainly from a lacklustre export performance and a debt-service ratio of more than 30 per cent in the next two years.

IMF denies Kaunda claim

By Michael Holman

THE International Monetary Fund has taken the unusual step of making public a telex message sent to President Kenneth Kaunda denying charges that the Fund had tried to discredit his government.

President Kaunda, who last week abandoned an IMF-Backed recovery programme, had accused the Fund of trying to dissuade donors from assisting Zambia. "I have received reliable information from various capitals in Asia, Europe and even America of how the IMF are trying to discredit us," he said.

In his message to the president Mr Michel Camdessus, the Fund's managing director, said: "I can state unequivocally that such reports have no foundation. On the contrary, the Fund shares your aim to improve economic conditions in Zambia."

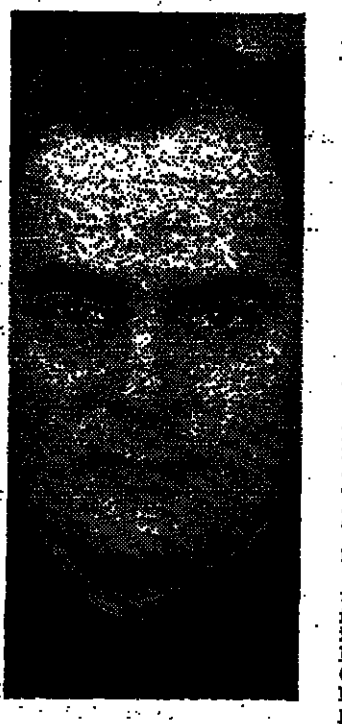
Red Cross kidnap

Kidnappers snatched seven International Committee for the Red Cross workers yesterday in Lanao province near the Moslem city of Marawi on Mindanao Island, according to sparse military reports, Richard Gourlay writes from Manila. The ICRC in Geneva confirmed the seven workers, five of them Filipinos and two Swiss, had been kidnapped but have not said if any group has claimed responsibility or demanded a ransom.

Australian oil tax

A decision by the minority Australian Democrat Party not to back the Government's cherished "resources rent tax" has surprised oil companies and angered Mr Paul Keating, the Treasurer, Chris Sherwell reports from Sydney. The measure, an article of faith for the Labor Party for ten years, would tax profits made from high-yielding new offshore petroleum operations on the grounds that the nation's natural resources are community property.

Delhi plans reform of industrial licences



Gandhi: ambitions trimmed

BY JOHN ELLIOTT IN NEW DELHI

DRAMATIC changes in India's industrial policy have been proposed by the country's Planning Commission which wants a 30-year industrial licensing system abolished for all but the largest 200 companies in an attempt to boost industrial efficiency.

The commission has also proposed that more than 1,400 medium-sized companies should be freed from monopoly laws and that the 200 largest companies, along with those that are more than 40 per cent foreign owned, should be controlled through five-year corporate plans which would be given blanket approval by the Government.

The commission estimates there was a 10 per cent shortfall in planned manufacturing investment below the target of Rs111bn (£5.5bn) for 1985-86. Growth of fixed assets of the largest 540 private sector companies fell in 1985-86 to 12.2 per cent, compared with 13.3 per cent in 1984-85.

The proposals are contained in a secret report on new industrial policy initiatives commissioned last year by Mr Rajiv Gandhi, whose attempts to accelerate the pace of economic reform when he became Prime Minister at the end of 1984 have become slowed down by bureaucratic opposition and inertia.

Mr Gandhi, who is chairman of the Planning Commission, has given his personal backing to the new proposals which have also been supported by the Finance and Industry Ministries, but a series of political crises have delayed a meeting of the full Planning Commission.

Domestic political problems have also forced Mr Gandhi to trim his ambitions. It is now doubtful whether he has the authority to push through the proposals, which would be interpreted as a rebuttal of India's historic 1956 industrial policy resolution by the left-wing of his Congress I Party.

This opposition has recently surfaced through the leaking in New Delhi by disgruntled Finance Ministry officials of drafts of the World Bank's annual report on India which proposes the abolition of most industrial planning controls and the gradual lowering of the value of the rupee.

The Planning Commission says that the private sector has concentrated during the past two years on fashionable areas such as telecommunications, consumer electronics, petrochemicals, and motor vehicles.

"Investments in consumer products based largely on *imported components and penultimate stage raw materials* seem attractive because of low capital cost and quick returns. However, investment is not as forthcoming in higher priority activities where large investments and a substantial technological effort are required," says the report.

Few companies have gone into the more difficult machine tool industry, despite substantial licensing liberalisations, while the general engineering industry is not attracting sufficient modern and high technology investment.

The report says that there are about 1,650 companies covered at present by the Monopolies and Restrictive Trade Practices Act (MRTP) of which 90 qualify because of the size of their assets and 220 because of market dominance. It wants the 1,650 cut to 200 by abolition of the controversial concept of "interconnection," *which links together companies* with equity cross-holdings of more than 25 per cent or a similar sharing of board directors.

This idea is likely to be extremely controversial and some civil servants believe that a realistic compromise might be to keep the interconnection for at least India's top two industrial houses—Birla and Tata—and maybe for the next eight.

Industrial licensing, suggests the commission, should in general be retained only for investments of more than Rs 500m, and for companies covered by the MRTP legislation, plus those which are more than 40 per cent foreign owned and come under the Foreign Exchange Regulation Act.

The delicensing would be accompanied by the introduction of tariff protection set at high enough levels to make investment in inefficient and outdated technologies unattractive.

Substantial reductions in industrial licensing controls have been made in the past few years, but industrialists complain that bureaucrats have often offset the impact of the reforms by strictly operating other regulations.

South Lebanon war rekindled

By Andrew Whitley in Jerusalem

THE LIMITED scale war burning in southern Lebanon burst into fresh flames yesterday as Israeli aircraft renewed their attacks on Palestinian positions near Sidon, and Katyusha rockets struck northern Israel in reprisal.

As dawn broke, Israeli warplanes swept into the Sidon area, for the second time in five days inflicting heavy damage on a guerrilla comand post and a residential district of a large refugee camp. Reports from Lebanon said at least seven people were killed and 28 injured, including women and children as the aircraft bombed and strafed the crowded Ain al-Hilweh camp for 20 minutes.

Heavy though they were, the casualties were less than those suffered last Friday at the nearby Mieh Mieh camp east of Sidon, when the toll was put at 14 dead, and 37 wounded.

"The aim is to keep them off balance and sap their self confidence," an Israeli army officer said yesterday in Tel Aviv

An additional explanation is almost certain, however: straightforward retaliation for the recent increased hostile activity, by Palestinians and their Shia Moslem allies in and around the Israeli declared "security zone" in southern Lebanon.

The Palestinian camps around Sidon are the most obvious targets for retaliation by Israel, even though the groups initiating the attacks on the security zone usually come from elsewhere. To attack Shia villages would risk alienating further the local Lebanese population, and upset Israel's already delicate relations with Unifil, the multi-national peace-keeping force.

China warns Japan of tough action

By Robert Thomson in Peking

CHINA HAS threatened to take tough action against Japan over several issues, including a bilateral trade surplus in Japan's favour and an alleged rise of Japanese "militarism," in a serious deterioration of relations between the two countries.

A Chinese Foreign Ministry spokesman said yesterday that a Japanese high court ruling that Taiwan owned a disputed Chinese student dormitory in the Japanese city of Kyoto had jeopardised relations. He said China would take "strong" action if a Japanese appeal court, "with the tacit connivance of the Japanese Government," again found in favour of Taiwan.

Japanese officials have explained to the Chinese government that they cannot force the court to change the decision. Meanwhile, Japanese diplomats were surprised by the intensity of the Chinese attack, which follows a gradual decline in relations since the fall in January of Hu Yaobang, the Communist party chief, who was sympathetic to Japan.

Japan's trade surplus last year was $4.2bn, down from $6bn in 1985. However, the Foreign Ministry spokesman said yesterday that the Japanese Government has "talked much but done little" to improve the balance, and that the Chinese side will take "active measures" to solve the problem.

Survey shows confidence in Hong Kong is falling

BY DAVID DODWELL IN HONG KONG

FEWER PEOPLE in Hong Kong have confidence in the future, and almost one in five families have at least one member that is able and ready to emigrate, according to a territory wide survey published this week.

This reflection of ebbing confidence coincides with fresh reminders from Peking, and from conservative political figures in Hong Kong; that demands for more representative government are unrealistic.

The survey, the latest in sequence that began in the autumn of 1985, shows that 27 per cent of 1,000 randomly selected respondents do not have confidence in the future of Hong Kong. This compares with 23 per cent in February, when the last survey was carried out, and just 14 per cent in September 1985.

Survey Research Hong Kong, the independent polling company that has carried out all of the surveys, says most gloomy respondents blamed their lack of confidence on the suspicion that Peking "does not keep its word." Pessimists were concentrated among the Hong Kong educated and professional classes, it said.

The survey indicated that 17 per cent of Hong Kong's 1.5m households had at least one member who was already eligible to live abroad, or was actively trying to emigrate. Most aim to settle in Canada or Australia, where business emigration schemes appear to be tailor-made to Hong Kong's entrepreneurial and professional classes.

Evidence of increasing pessimism about Hong Kong's future coincides with a volley of warnings against demands next year.

The latest attack on the idea of direct elections has come from the conservative Chinese Manufacturers' Association (CMA), whose chairman was quoted in a report from Peking's New China News Agency yesterday feeling that political reforms ought to take their lead from the Basic Law, China's mini-constitution for Hong Kong after 1997, which is due to be published in draft form in 1990. Peking's officials in Hong Kong have been increasingly blatant in their attacks on the idea of direct elections.

US ordered to pay Iran

By Laura Raun in Amsterdam

THE US has been ordered immediately to repay about $450m in frozen Iranian assets by the Iran-US Claims Tribunal in the Hague.

The US has argued that the return of $450m in overpayments and accrued interest could be construed as payments for hostages in Lebanon in the wake of the highly embarrassing Irangate scandal, especially since Iranian leaders have repeatedly linked the two.

But the Claims Tribunal this week rejected the argument and found that there "can be no room for any doubt that this case (and an earlier decision) has no relation or link whatsoever to the issue of hostages held in Lebanon or any other political matter, as both parties have declared."

US registration to protect Kuwaiti tankers in Gulf

BY ANDREW GOWERS, MIDDLE EAST EDITOR

THE US and Kuwait have agreed in principle to re-register up to 11 of Kuwait's 22 oil tankers under the American flag in a bid to deter Iranian attacks on the Kuwaiti fleet.

The deal, technical details of which are still being hammered out, follows an earlier agreement under which Kuwait is chartering three tankers from the Soviet Union. Together, they mark a significant increase in superpower involvement in the Gulf.

The two agreements have been struck following a series of Iranian attacks on ships sailing to and from Kuwait since last summer. Since the beginning of this year, Iran has attacked 15 such vessels and hit 12 of them, and three have been two attacks this week—one of them close to the Saudi coast near Jubail.

The US deal, which had been held up for some weeks by bureaucratic difficulties, means that up to half of Kuwait's tanker fleet will be entitled to American naval protection. The Soviet chartering agreement is meant to have a similar effect, since it is assumed that Iran would not venture to attack a Soviet vessel.

● Iraq said its warplanes had attacked Iran's offshore Sassan oilfield in the southern Gulf yesterday, setting installations ablaze, Reuter reports from Baghdad.

African Development Fund presses for extra finance

BY PETER BLACKBURN IN ABIDJAN

THE African Development Fund (ADF), which makes long term soft loans to the continent's poorest countries, will press the case for a $3bn to $3.7bn replenishment to finance a three-year (1988-90) lending programme at an aid doners meeting in Paris today and tomorrow.

The amount requested is double the sum subscribed for the previous 1985-87 period and is the fifth replenishment since ADF began operations in 1974.

The fund, an affiliate of the Abidjan-based African Development Bank (AFDB), has 50 independent African and 26 non-African countries. Lending last year rose by one third to $586m with 85 per cent of loans for the 33 poorest countries with per capita income of less than $510 per year.

The request for a substantial increase in concessional aid for the poorest African countries is being made in the context of the continent's prolonged economic crisis, according to senior AFDB officials.

Per capita GDP continued to decline in most African countries during the early 1980s while agricultural production rose by only 2.1 per cent, well below population growth of 3 per cent a year, according to a bank report.

Falling world commodity prices have resulted in a further deterioration in the terms for trade for African countries, reduced export revenues and increased current account deficits.

Black Africa's overall debt rose 8 per cent to $175bn at the end of 1986 and debt service now represents over 30 per cent of export earnings, according to AFDB estimates.

At the same time net resource transfers to sub-Saharan Africa have dropped to $3.6bn in 1984 from $11bn in 1980.

CIA chief takes secrets of Contra affair to his grave

BY STEWART FLEMING, US EDITOR IN WASHINGTON

MR WILLIAM CASEY, the cantankerous Wall Street millionaire whom President Reagan appointed in 1981 to be director of the Central Intelligence Agency, died yesterday, taking to his grave secrets about the Iran/Contra arms scandal and leaving behind on Capitol Hill a legacy of distrust for the CIA which will not be quickly dissipated.

Mr Casey, who underwent surgery for brain cancer last December, shortly after the Iran scandal erupted, never fully recovered and was forced to quit as CIA director in February.

By that stage revelations about the links between the Reagan Administration's Iran arms sales initiative and the officially supported private network which was supplying the Contra rebels fighting the Sandinistas in Nicaragua had already focused attention on 74-year-old Mr Casey.

William Casey: fascination with covert operations

Mr Casey's still ill-defined role in the Contra scandal was put directly in the spotlight on Tuesday. Retired air force major general, Richard Secord, the man who has been called first this week to testify before the Congressional hearings into the Iran Contra affair because of his pivotal role, told of three meetings with Mr Casey in 1985 and 1986 in his efforts to muster private and official, but clandestine, US support for the Contras.

It was Mr Edmund Muskie, the former secretary of state and member of the Tower Commission appointed by President Reagan to look into the Iran affair, who remarked: "We (the commission) felt Casey knew what was going on more than anyone else."

Mr Casey, who began his public service career running spies in Europe for the Office of Strategic Services in World War Two and later was chairman of the Securities and Exchange Commission in the Nixon era, became a member of President Reagan's inner circle only in 1980 when he was asked to take over as manager of a presidential election campaign which was then floundering.

Mr Reagan appointed him director of the CIA where he was credited with helping to restore the morale of the agency, launching long overdue management changes aimed at improving accountability and efficiency, and boosting the influence of the analytical side of its operations.

But there is a widespread conviction, particularly on Capitol Hill, that Mr Casey's fascination with the covert operations and "dirty tricks" side of the CIA, a fascination some trace to his OSS days in Europe, have done more damage to the agency (and perhaps to the Republican Party) than his other contributions have done good.

Mr Casey's dangerous penchant for covert operations surfaced most dramatically in 1984 when he was forced to report to a furious Congress that CIA-backed Contras had been involved in mining Nicaraguan harbours. This disclosure, which infuriated Congress and led to the cutting off of Congressional funding for the Contras, also helped inspire Administration efforts to circumvent the ban on Contra funding.

A common theme in both initiatives and in the Iran arms deals was that Mr Casey and the Administration, by their secrecy, did not fulfil their obligation (in Congressional eyes) to keep Capitol Hill informed through the well-established intelligence oversight procedures. If they had, arguably the Congressional leadership would not have allowed the White House to blunder into the Iran arms deals.

It is as yet unclear whether the Democrat-controlled Congress will seek new legislative curbs on covert operations. But there can be no doubt that one of Mr Casey's legacies will be closer scrutiny of covert operations, and that is not what Mr Casey would have wished.

Reagan campaign aide faces fraud charge

SPECIAL prosecutor Lawrence Walsh announced yesterday he had charged former State Department consultant Mr Richard Miller with conspiracy to defraud the US government in connection with the Iran arms scandal, Reuter reports from Washington.

It was the second criminal charged filed in the affair that has shaken the Reagan Administration. Mr Carl "Spitz" Channell, a right-wing fund-raiser, pleaded guilty last week to similar charges involving more than $2.1m raised to supply arms to "Contra" rebeles in Nicaragua.

Walsh said in a six-page document setting out the charge and released to reporters: "Defendant Richard Miller together with Carl Channell and others known and unknown, unlawfully, willfully and knowingly did combine, conspire, confederate and agree together and with each other to defraud the United States of America."

The charges against Mr Miller were filed as the congressional committees investigating the Iran-Contra affair began their second day of hearings with more testimony by retired Air Force Major General Richard Secord.

Sources close to the Walsh investigation said Miller was expected to enter a guilty plea to the charge at a US District Court hearing later.

Mr Walsh said: "It was an object of the conspiracy to defraud the IRS (Internal Revenue Service) and deprive the Treasury of the United States of revenue to which it was entitled."

Miller worked in the election campaigns of President Reagan in 1980 and 1984 and now is a Washington public relations executive.

He was appointed director of communications at the US Agency for International Development (AID), part of the State Department, after Mr Reagan entered the White House in 1981 and later became an outside consultant for the State Department.

Channell last Wednesday pleaded guilty to tax fraud conspiracy charges and named as co-conspirators Mr Miller and fired White House aide Col Oliver North.

Fed president warns Japan

GERALD CORRIGAN, President of the Federal Reserve Bank of New York, said yesterday Japan would have to take further steps to open its financial markets to US firms before he would approve greater access to US markets for the Japanese, Reuter reports from Washington.

Testifying to the Senate Budget Committee, Mr Corrigan said there were hopeful signs of progress toward increased market access.

Hart's wife stands by him

BY OUR US EDITOR

MRS LEE HART, wife of Democratic presidential front-runner Mr Gary Hart, yesterday rallied to his support saying that she was not disturbed by his association with a 29-year-old actress. "Gary said 'I did nothing' and I know he did nothing," she said.

Mrs Hart's comments as she flew from Denver to join Mr Hart who was campaigning in New Hampshire, a key primary state, removed fears that the time he spent with Ms Donna Rice might cause a split in his family.

On Tuesday Mr Hart, recognising the serious threat to his Presidential campaign from the reports, vigorously denied that he had spent the night with Ms Rice or that he had behaved immorally.

He attacked the Miami Herald, which published the account for leaving itself open to criticism by not thoroughly substantiating the facts on which the report was based.

Nancy Dunne reports on uncertainty over the illegal immigrants' amnesty

US aliens step out of the shadows

THE RED, white and blue balloons and streamers on the walls of the special immigration centre in Baltimore, Maryland, told illegal aliens—since Tuesday eligible for amnesty—that all is forgiven.

Marie Grant, a tall handsome Jamaican woman, ignored the festive decor and its welcoming posters of President Reagan and Mr Edwin Meese, the Attorney General. Instead she nervously clutched a file of papers, which would prove that she and two of her three children have lived in the US for seven years.

Her third child, a 19-year-old son, did not join the family in Maryland until March 1982, and thus, is not eligible for the process which may ultimately bestow citizenship on Mrs Grant and an estimated 4m illegal immigrants. Although her son is unlikely to be deported, it may be years before he can leave the illegal immigrant's shadowy existence.

Except for her son, the family will have a stigma removed. "We will be like everyone else," said Mrs Grant, a cleaner, who now hopes to open a small business.

All over the US on Tuesday, illegal immigrants with their own hopes of what the amnesty will mean, edged towards Mecca—the much-feared offices of the immigration services, where they can get temporary resident's permits for a probationary period of 18 months. They may then become permanent residents for five years before attaining US citizenship.

Most of the aliens, not ready to trust the immigration and naturalisation service (INS), the symbol of deportation, made their way towards the INS through the hundreds of social service and volunteer offices set up around the country to help them gather evidence of eligibility for legalisation. They had to have entered the country before January 1 1982.

The controversial and complex immigration reform law, which is responsible for the amnesty, gives with one hand and takes with another. Those who arrived illegally after 1981 may have to leave. Starting on June 1, all employers will have to request proof that prospective workers are legally in the country. The legislation provides for fines from $250 to $10,000 and other penalities for businesses which do not comply.

The new law, enacted last year after a six-year odyssey of comprosises, will have far-reaching and uncertain consequences. No one knows if employers will comply with the regulations or risk hiring cheap undocumented workers. Or if they will discriminate against all foreign workers, as some civil libertarians fear. Or if unemployed immigrants, ineligible for amnesty, will return to the joblessness and poverty or their homelands.

Thousands of illegal immigrants have already reportedly fled to Canada and other countries. Mexico is reputedly braced for a flood of returning undocumented workers as well as deportations. Already border patrol agents have reported a marked drop in arrests along the US-Mexico border, and the number smuggled in is said to have plummeted because of fears that jobs will not be available.

Although the INS expects 4m aliens to sign up for legalisation, no one really knows how many eligible illegals exist. Estimates over the years have ranged from 2m to 20m.

It is by no means certain that the aliens will overcome their fear of authority to apply for amnesty. Legalisation schemes studied in Canada, Australia and Europe all had significantly fewer applicants than had been expected because suspicions had not been overcome.

Congress and the Administration have slashed the budget for immigration to $108m this year from the estimated cost of $125m this year. Much of the processing costs are to be borne by the immigrants themselves, who will be charged by the INS $185 per applicant or $240 per family. Other fees for medical examinations, counselling, photograph and fingerprinting may make legalisation too expensive for the poor.

Most illegal immigrants hold menial jobs and work for pay that US citizens snub. Those who can afford to go legal could abandon their low-wage jobs, a development which could have a devastating effect on some businesses such as textiles, agriculture and foundries, which rely on them to compete against cheap labour in foreign countries.

No one knows if the law will be a cost or benefit to the Government. A report by the General Accounting Office found tat non-US citizens, both legal and illegal, paid about $19bn in taxes in 1984 and received about the same amount in government benefits. It will be five years before the newly registered immigrants will be eligible for full welfare benefits, but over the next four years they will cost $4bn, which the federal government has promised to give to local communities, who must bear the brunt of the cost of schooling and health care.

Mr Romano Mazzoli, chairman of the House immigration subcommittee, is one the few to express confidence that the legislation will succeed in both securing American borders and freeing from fear "many good, hardworking people who have lived clandestinely and furtively."

US LEGAL IMMIGRATION

	1941-50	1951-60	1961-70	1971-80
Mexico	60,589	299,811	453,937	640,294
Caribbean	49,725	123,091	470,213	741,126
Central America	21,665	44,751	101,330	134,640
South America	21,831	91,628	257,954	295,741
Other	29,276	59,711	19,830	789
Total Latin America	183,086	618,992	1,303,064	1,812,590
Europe	621,124	1,325,640	1,123,363	800,368
Asia	32,360	150,106	427,771	1,588,178
Canada	171,718	377,952	413,310	109,939
Africa, and other	26,751	42,789	54,169	122,239
Grand total	1,035,039	2,515,479	3,321,677	4,493,314

Source: Immigration and Naturalisation Service

World Bank chief promises priority for conservation

BY NANCY DUNNE IN WASHINGTON

MR BARBER CONABLE, president of the World Bank, has promised to make environmental concerns a priority in the bank's lending policies and to help devise a long-term preservation project for the Mediterranean region.

In a speech to the World Resources Institute, Mr Conable acknowledged that the bank had "stumbled" by failing to protect the environment in some of its projects, and he cited the controversial Polonoreste resettlement scheme in Brazil as "a sobering example of an environmentally sound effort which went wrong."

"The bank misread the human, institutional and physical realities of the jungle and the frontier," he said. But, he added, "if the bank has been part of the problem in the past, it can and will be a strong force in finding solutions in the future."

He announced the creation of a top-level environmental department to help set the direction of the bank's policy, planning and research.

In the Mediterrean, the Bank and other institutions are explaining "an ambitious political as well as technical undertaking, involving many separate governments and technical support agencies."

Mr Conable called for new development and environmental efforts in sub-Saharan Africa and promised a global programme to conserve tropical forests.

Mr David Wirth, a spokesman for the Natural Resources Defence Council in Washington, which has helped to mobilise conservation groups against some bank projects, hailed Mr Conable's speech as "a watershed event."

However, he cautioned: "It remains to be seen if he can mobilise the bank's massive bureaucracy with the inertia of the Titanic away from the icebergs of environmental disaster."

Mr Conable said bank officials will visit about 1,500 ongoing projects to check on how they meet environmental standards. The bank will more than double its annual level of funding for environmentally sound forestry projects from $138m this year to $350m in fiscal 1989.

Dollar's decline hits EC quality car producers

BY WILLIAM DAWKINS IN BRUSSELS

THE European Community's car producers are likely to bear the brunt of a decline in the industry's sales this year and next, warns a report yesterday by the European Commission.

Volume car makers turned in a combined profit last year for the first time this decade, but the improvement is only temporary, says the Commission's annual report on the EC car industry. Meanwhile, specialist manufacturers' formerly healthy profits growth ground to a halt last year and might even slip into reverse in 1987, forecasts the report by the Commission's industrial affairs directorate.

Mass car producers' financial health improved greatly, with a combined turnround from losses of Ecu 900m (£621m) to profits estimated at more than Ecu 900m. This was despite a 21 per cent increase in Japanese imports to 1.04m units, representing a record 9.9 per cent of the Community market.

Domestic demand was fuelled by the decline in oil prices and a boom in consumer spending, which unlocked a surge of replacement buying, rather than creating any significant underlying market growth. The Commission estimates that last year's EC car sales of 10.5m units will tail off to 10.3m this year and 10.2m in 1988.

Quality car companies saw their combined profits slip back from Ecu 1.38bn to Ecu 1.35bn after five years of uninterrupted earnings growth mainly because the dollar's weakness eroded their margins in the US, where they make a major part of their sales.

They managed to protect themselves by hedging currencies last year, "but in 1987 the full effect of the dollar's decline should be felt," says the report. It warns: "In general, the US will cease to be the honey-pot of easy profits for car manufacturers."

In another worrying development for Community car companies, the report points to the emergence of South Korea as a major force in the world car industry and the first signs that other Asian countries such as Taiwan and Malaysia are becoming important low-cost sources of vehicles and components for Japanese and US producers.

"This could represent the beginning of a substantial shift in the balance of power in the motor industry, away from the traditional centres of production," it warns.

THE falling dollar has already boosted the volume of American exports and within the next few months a significant drop in the US trade deficit will show up in government figures, according to Mr Clayton Yeutter, US Trade Representative, writes Nancy Dunne in Washington.

"I'm convinced that we'll see an improvement in the trade picture over the next few months, not only with Japan but on a global basis as well—not a dramatic improvement, but hopefully a significant one," he said.

Mr Yeutter has predicted a turnround in the fortunes of US trade in the past, but in this case his view is supported by many analysts who say the trade picture has begun to improve.

Seoul to monitor VCR exports

By Maggie Ford in Seoul

PRODUCERS OF South Korean video cassette recorders are to be obliged to submit their European export plans to the Government under a licensing system which could result in price increases of more than 10 per cent.

The move follows pressure from the European Community over imports of video cassette recorders which rose four-fold in 1986, to a value of $119m (£70m). The European Commission has already filed an anti-dumping suit.

Under the new price check to be administered by the country's Electronics Institute companies such as Samsung, Goldstar, and Daewoo, will receive licences to send VCRs to Europe only if the projected price meets the Government guideline.

A senior South Korean company official said, however, that he did not expect the ruling to have a great effect on sales volume.

South Korean VCRs were already priced very competitively, he said. The rise in the value of the yen was likely to make Japanese products even more expensive, benefiting Korean equipment even if it was sold at a higher price.

No curbs on the quantity of South Korean VCRs are yet envisaged, because sales in the EEC started only in late 1985.

Tony Walker reports on a shift in Washington's policy of military aid for Cairo

US sweetens the pot for defence projects in Egypt

THE US, in a significant switch in its defence sales strategy towards Egypt, is proposing to provide more direct financial assistance to joint ventures and licensing arrangements involving Egyptian military industries.

US policy has been to finance sales of American equipment to Egypt rather than support co-operative ventures while Egypt has been pressing the US to assist it in building up its defence industry.

Increased US involvement in local industry was an important topic discussed during the visit to Egypt last month of Mr Richard Armitage, US Assistant Secretary of Defence for International security Affairs. He held talks with President Hosni Mubarak and Field Marshal Abdel Halim Abu-Ghazala, the powerful Defence Minister.

Mr Armitage was attending the annual meeting of the US-Egyptian Military Co-operation Committee. The US provides $1.3bn (£76.9m) annually in military grant aid to Egypt, which is second only to Israel in the amount allocated under the US Foreign Military Sales programme.

US officials are understood to have indicated they would look sympathetically at an Egyptian request for assistance in assembling a battle tank at a factory being built at Abu Zaabal, north of Cairo. The General Dynamics M-1 tank has emerged as the leading contender among four possibilities, including the Vickers Mark-7 of the UK.

The new US strategy of providing more cash assistance to "sweeten the pot," for American companies seeking business in Egypt may assist Teledyne to win a deal to refurbish Egypt's Soviet-supplied T-54 tanks.

Teledyne has produced a T-54 prototype with a new gun, fire control systems, modern armour, a sophisticated rangefinder and an improved engine. The main challenger for the contract to modernise the tank is a partnership of the Royal Ordnance Factory and Wallop Industries of the UK.

General Dynamics expects to demonstrate its M-1 during the "Bright star" joint military exercises in Egypt in August. The M-1, the latest generation US tank, has not, however, been cleared for export to Middle East countries.

Richard Armitage, Assistant Secretary of Defence, and Field Marshal Abdel Halim Abu-Ghazala (right) discussed greater US involvement.

The switch in US policy also coincides with a Soviet agreement in March to reschedule Egypt's military debt of about $3bn on generous terms. Washington has also been concerned about losing ground diplomatically in the Middle East following the "Irangate" fiasco.

Egypt has been arguing that it should be given the same assistance as Israel under US defence co-operation programmes: US companies have engaged in joint ventures, licensing arrangements and offset deals with Israeli manufacturers.

US reluctance to become more directly involved in Egyptian defence industry has been based on concern about quality control and on complications of doing business in a Third World environment. Another factor has been the lack of enthusiasm by US companies, which would rather export than share their technology.

Mr Frank Wisner, the new US ambassador to Egypt, is said to want to encourage American companies to become involved in joint arrangements with Egypt's military industry. A favourable report compiled recently on Egyptian military factories by a US defence department technical team contributed to the review of American military sales strategy in Egypt.

Egypt has also proposed that it undertakes maintenance work on the US Mediterranean Sixth Fleet which includes two carrier task forces. A shipyard in Alexandria is being upgraded with the assistance of a US company.

Another Egyptian proposal is that it provide foodstuffs for the Sixth Fleet. Egypt's military forces have their own food processing facilities, but has suggested that the US assist in developing a factory to its specifications to supply the fleet.

US officials say these proposals are being considered in light of the review of defence sales strategy in Egypt.

Meanwhile, the nagging problem of Egypt's $4.55bn military debt to the US is unresolved, but appears not to be causing undue concern.

Arrears totalling about $800m on the debt will be subject to rescheduling following Egypt's expected agreement with the International Monetary Fund on an economic reform package in exchange for balance of payments support. This will provide a breathing space while US and Egyptian officials seek an equitable settlement of the debt.

Egypt has rejected an earlier US proposal that it refinance its military debt at the prevailing interest rate of about 8 per cent, instead of the average 12 per cent at which it borrowed funds between 1979 and 1984.

The Egyptians objected because they would eventually have to pay the difference between the rate at which the funds were borrowed and the new more favourable interest rate, leaving a substantial residual amount to be settled at the end of Egypt's military debt repayment period in 2009.

Farm products talks 'should quicken pace'

BY WILLIAM DULLFORCE IN GENEVA

AUSTRALIA and the US tried this week to give a fillip to the reform of agricultural trade under the trade-liberalising Uruguay round of the General Agreement on Tariffs and Trade.

Both called for negotiators to start considering the principles that should govern reform instead of continuing, as the European Community has been insisting, to chart the problems.

At the second meeting of the group responsible for farm products, Mr Alan Oxley, the head of the Australian delegation, stressed that a "wind back" of protectionist measures had to be an essential part of the negotiations from the outset.

This should include a "substantial phase-down" of market access barriers to farm products and of farm support subsidies, Mr Oxley said in a statement setting out three basic principles:

- Governments should eliminate the distortions caused by their interventions in international trade. Farm exports should not be subsidised, and domestic markets should be open to effective competition from imports.
- National markets should be fully exposed to the influence of world market prices.
- Existing special provisions for agriculture in Gatt should be eliminated.

Outlining similar principles, the US said governments should abandon "policies that result in a level of commercial exports higher than would exist without those policies."

Mr John Hudson of the Department of Agriculture said farmers had to compete against other farmers and not against governments.

In contrast to the US-Australian attempt to move the talks towards discussion of principles, the EC submitted an analysis of the situation in eight agricultural sectors.

Among its more striking data was the projection that world wheat stocks would equal 36 per cent of consumption by the end of the 1986-87 season. Stocks of dairy products in the five main producers had reached more than 50m tonnes in 1985 compared with world exports of 27m tonnes in that year.

Apart from Nordic countries with heavily-protected farmers, most others criticised the EC paper for inaccuracies and retracing old ground. The Community retorted that it was unreasonable to thrust ahead without first establishing what was wrong in farm trade.

Although the US and Australia are looking for an "early harvest" of some kind before the end of 1988, the agricultural talks in Gatt are unlikely to pick up speed.

The main protagonists' attention is now focused on a meeting of ministers in the Organisation for Economic Co-operation and Development later this month, at which an OECD report on agriculture will be examined, and on the seven-nation summit in Venice next month, when farm trade is expected to be on the agenda.

Indian exports rise 20% after higher textiles sales

BY JOHN ELLIOTT IN NEW DELHI

INDIA'S TRADE deficit fell marginally to Rs 75.12bn ($5.77bn) in the 1986-87 fiscal year after a marked recovery in exports which rose by 20.4 per cent above 1985-86 levels to Rs 125.5bn.

The increase in exports amounted to 15.3 per cent in dollar terms. It was the result of significant improvements in sales abroad of textile garments, which reached a record Rs 15.1bn, gems and jewellery, chemicals and other goods.

Imports last year rose by only 9.2 per cent in rupee terms, and 4.6 per cent in dollar terms, to Rs 200.62bn compared with Rs183.71bn in 1985-86, according to provisional figures published by the directorate general of commercial intelligence and statistics.

In 1985-86, exports declined by 7.1 per cent in rupee terms and imports rose 15.1 per cent, leaving a record deficit of Rs 79.5bn. This underlined India's problems selling manufactured goods abroad, which is causing concern about its long-term balance of payments prospects.

Although the Government claims that the latest export results show its industrial incentives are working, the real growth is exaggerated because of the low starting point for the year.

Exports have been helped by sharp falls in the value of the rupee against some major currencies. Ministry of Finance figures show that in the three years to this March the rupee declined by 45.5 per cent against the yen, 41.9 per cent against the D-Mark, 25 per cent against the pound and 16.7 per cent against the dollar.

But the latest World Bank studies suggest that these are not sufficiently large falls, especially against the dollar. They also point out that there have been only marginal falls in the value of the rupee against India's competitor countries such as Pakistan, Taiwan and Indonesia.

- India's rate of inflation fell during 1986-87 to 7.5 per cent from 8.9 per cent in the previous year, according to the Labour Bureau's consumer price index published yesterday.

Hilary Barnes in Copenhagen adds: NKT, the Danish electro-technical company, yesterday signed a DKr 150m (£13.4m) order in New Delhi with Hindustan Cables and Indian Telephone Industries, to supply optical fibre telephone equipment and know-how. NKT will help Hindustan Cables to establish a cable factory.

IBM launches computer link to cellular network

BY DAVID THOMAS

IBM the world's biggest computer company, is moving into the fast growing UK cellular telephone market. It will allow cellular subscribers access to its data networks via portable computers.

IBM's decision could mean a big boost to the transmission of data over cellular networks, a technique still in its infancy.

Subscribers to both Cellnet and Vodafone, the two UK cellular networks, will be able to communicate with IBM's managed network services. These provide private data networks for companies, by means of a portable computer in their car.

Besides gaining access to company databases, cellular subscribers will be able to use services such as electronic mail and computerised financial information services.

IBM said yesterday: "We are continually looking for new ways for our customers to be attached to our network, and cellular offers yet another access point."

IBM has been carrying out technical evaluations of the transmission of data over cellular for the past six months. It has now launched two pilot schemes with Cellnet and Vodafone due to run until the end of September. Once those pilot schemes are over it is confident a full service can be launched.

● Mercury Communications, the rival telephone network operator to British Telecom, has announced details of a new type of telephone exchange that will compete directly with private exchange equipment.

The service will be known as Centrex, and is aimed at providing corporate clients with all the facilities normally available on private telephone exchanges (PABXs) from equipment located in Mercury's public exchanges.

Mercury has already signed-up some customers in the City of London for its Centrex service, which is the first in Europe.

Mercury said yesterday that Centrex's advantages include eliminating the need for capital spending on a PABX, easy ability to expand and upgrade services, and a reduced need for switchboard operators.

Journalist ordered to disclose sources by Appeal Court

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A FINANCIAL journalist has been ordered to disclose his sources by three Court of Appeal judges in London.

The judges ruled that Mr Jeremy Warner, business correspondent of The Independent newspaper, must co-operate with Department of Trade officials who are investigating a multi-million-pound insider dealing ring.

Mr Warner wrote two articles on takeover bids, and it is his sources for this that he has been asked to disclose.

Mr Warner did not have "a reasonable excuse" for refusing to answer the inspectors' questions, and it was an inescapable conclusion that disclosure of his sources was necessary for the prevention of crime, said Lord Justice Slade.

The judges adjourned the case until June 2, at the earliest, when they will decide what punishment, if any, to impose on Mr Warner should he continue to refuse to answer the inspectors.

After yesterday's ruling Mr Warner, who has taken a stand on what he regards as his professional obligation and right as a journalist to safeguard the confidentiality of his sources, said that he would continue to refuse to disclose names.

Asked how he felt about the prospect of being jailed if he maintained his position, he replied: "I'll cross that bridge when I come to it."

The appeal judges gave Mr Warner leave to challenge their ruling in the House of Lords. Any punishment would therefore be deferred for several months.

Mr Andreas Whittam Smith, editor of The Independent, said it was "a bad day for journalism." Journalists' policy of refusing to name sources did not mean they were shielding criminals, he said. They used their sources to expose wrong doing on financial markets and confidentiality was vital.

The Appeal Court allowed the inspectors' appeal against a High Court ruling last month that Mr Warner did have a reasonable excuse for not answering the inspectors' questions because the inspectors had not shown that disclosure of his sources could prevent further insider dealing.

Although Mr Warner's evidence might provide useful pieces for the jigsaw the inspectors were constructing, it had not been shown to be the key to the puzzle, said the High Court Judge.

The inspectors took Mr Warner to court under a provision of the 1986 Financial Services Act which enables the court to treat a person refusing to co-operate with inspectors "without a reasonable excuse" as being in contempt of court and liable to be fined or jailed.

The inspectors believe that Mr Warner might have information about a £10m insider dealing ring using information leaked by a civil servant, and might also help uncover a suspected second ring using price-sensitive information from a second civil servant.

It is suspected the leaks came from the Office of Fair Trading, the DTI or the Monopolies and Mergers Commission.

Lord Justice Slade said that, while the court should not just "rubber stamp" the inspectors' views about the need for particular information, the inspectors knew what information they needed and their views could not be disregarded.

The probability was, he said, that disclosure of Mr Warner's sources would substantially help the inspectors. Without his co-operation they could not fully discharge their duty to investigate possible crimes.

The judge said he hoped that all responsible journalists would accept that their right to protect their sources must be overridden in the exceptional case when that was necessary for the prevention of crime.

Civil sector earns bigger slice of research funding

BY DAVID BUCHAN

THE ONE significant policy shift in yesterday's defence White Paper policy document puts a new emphasis on government withdrawing from funding unnecessary research and development (R & D) in the military sector and spending more on civil R & D over the next few years as a result.

Mr George Younger, Defence Secretary, said there had been "concern in some quarters that defence had been pre-empting too high a share of R & D funds". Therefore, over the next few years "we will look more closely at defence programmes with a large R & D element to ensure that their government funding is essential," he said. The aim was to release more government money to support the civil sector and exports.

The impact of the new policy is minimal in the current 1987-88 budget, with R & D rising to £2.35bn from £2.26bn last year, a slight decline in real terms. But ministers expect "significant reductions" in two to three years as defence R & D becomes more efficient and competitive and as Britain reduces its duplication of its allies' research effort through greater international collaboration.

Mr Younger said the new policy was not rigid or tied to any specific target. However, if successful, it would presumably entail a reduction in the present 12.4 per cent of the defence budget that goes on R & D.

The main push in Whitehall for a more even share-out of government R & D funds between the military and civil sectors has come from Mr John Fairclough, the chief scientific adviser to the cabinet and his predecessor, Mr Robin Nicholson, with supporting pressure naturally from the Department of Trade and Industry.

But the view that Britain directs too high a share (about half) of state R & D funds to a relatively small sector such as defence compared to many other countries, has been widely aired in recent years by economists, industrialists and politicians in all political parties.

Their arguments are essentially two-fold. The first is simply that those countries (see table) spending least on defence R & D have prospered most in recent years : Japan, West Germany and to some extent Italy. France and the US direct quite a high share of government R & D into defence, partly because, like Britain, they are nuclear weapon states. But they are also richer countries and spend more in total on civil R & D.

GOVERNMENT-FUNDED DEFENCE R&D as % of GDP (1986)

France	0.49
West Germany	0.11
Italy	0.06
Japan	0.01
UK	0.68
US	0.81

Source: Cabinet Office review

The second concern is, as the White Paper puts it, Britain's pool of scientists and engineers is "not inexhaustible." It says: It would be regrettable if defence work became such a magnet for the manpower available that industry's ability to compete in the international market for civil high-technology products became seriously impaired." Some believe this has happened already.

However, defence ministers are quick to emphasise that reduced R & D over the long term does not necessarily mean buying more military hardware off the shelf from abroad, although they also point out the recent purchase of US Awacs early warning aircraft – last year's most significant procurement decision – has won new business for UK industry through offset contracts with Boeing.

Rather, the reduction in R & D will arise from:

● Increased collaboration, in R & D as well as production, with European allies and the US.

● Increased competition in UK procurement. Last year all new major Ministry of Defence (MoD) development contracts were awarded on the basis of either competitive fixed price bids or a maximum price arrangement, instead of the prevalent old system of giving a contractor all his costs plus a percentage profit.

● More R & D to be contracted out to the private sector, and possibly carried out at private industry's expense.

The MoD research establishments, which once numbered 22, are now reduced to seven, with about 22,000 people working in them compared with more than 30,000 some 10 years ago.

Introduction of advanced plant into industry 'inadequate'

BY NICK GARNETT

FT CONFERENCE Manufacturing forum

THE USUAL method of introducing advanced manufacturing systems in British companies was inadequate, prevented those systems from reaching maximum potential and created frustrations within the workforce, the Financial Times fifth Manufacturing Conference was told yesterday.

Mr Chris Clegg, senior research fellow at Sheffield University's social and applied psychology unit, said the norm in British factories was to first carry out the technical design of a system and only to examine the "human aspects" of the system before operations began.

Some companies even suggested that the human aspects of changing production methods should only be looked at once the new system was up and running.

The failure to use parallel planning of manpower alongside technical change created "fragmentation," with those involved in training often taking a different view to those in engineering, Mr Clegg told London conference.

It also led to inadequate training and poor understanding of how the new manufacturing systems worked. It built in the prospects of new demarcation lines and a danger that the system would attract only grudging acceptance.

Dr John Pendlebury, managing director of Coopers and Lybrand, said a manufacturing strategy involved obtaining a balance between the different functions of the company: "Unless a company knows where it is going it cannot have a proper strategy of how to get there."

Surveys showed that only 10 per cent of western companies have a clearly defined strategy for manufacturing. Most western companies have so far failed to get their operating systems – and cost of these – under control. On the other hand Japanese companies have had total quality control in place for a long time and were running with low overhead costs.

These Japanese companies were now placing their emphasis on rapid design change, together with flexible manufacturing and automation. There was an inherent bias against change in organisations, said Dr Pendlebury, and conflicts between marketing, sales and engineering. In western countries manufacturing often still had a low status and was politically weak, while finance departments very often lost sight of company objectives.

Mr David Yewell, head of Hewlett-Packard's European marketing centre, said the company was horrified to discover in 1980 that the failure to do things right – inadequate quality, heavy warranty claims, shipping products to the wrong customer – was costing Hewlett-Packard the equivalent of 30 per cent of its manufacturing costs.

This discovery followed a visit by Hewlett-Packard managers to Japan in the late 1970s where they visited companies which counted defects in ratio of parts per million.

Since 1981, Hewlett-Packard has been engaged in a large programme to get these things right. Inventory was down to the equivalent of $400m (£260m) and the company had a target to reduce the proportion of its products in warranty claims to 0.1 per cent.

Just In Time was not the latest gimmick, but a fundamental process which, when completed, could not be improved upon, Professor John Parnaby, group managing director for manufacturing technology at Lucas Industries, told the conference: "It completely tailors a manufacturing strategy to the needs of a market and produces mixed products in exactly the right order."

For many traditional British companies, the development of JIT required a professionally staffed "task force" of people from a wide range of disciplines because of the large step change required in every area of the company's activity. Very visible management leadership was essential.

Mr Bob Davies, a director of Coopers and Lybrand, said companies should have a strategy for their financial departments and needed to decide what role the department was going to have.

Dr Charles McCaskie, technical director of Baker Perkins, told the conference that design for economic manufacture must be market led and was a strategic issue. It was vital that the products from a company such as Baker Perkins, which is being merged with A.P.V., helped its customers deal with the turbulent business climate in which they found themselves. Other speakers during the first day of the conference were Mr Murray Beichenstein, vice-president, finance, Ford of Europe and Mr Ted Marston, industrial relations vice-president at Cummins Engine.

New paper faces cash crisis

BY RAYMOND SNODDY

NEWS ON SUNDAY, the new left-of-centre Sunday newspaper, is facing a severe financial crisis after only two weeks' publication. Sales of the paper have been considerably below target and the company is likely to decide to seek an additional £2m through a rights issue at a board meeting next Tuesday.

The newspaper claimed last week that it had sold about 700,000 copies of its launch issue from a print run of more than 1.5m. Sales in fact are believed to have been much closer to 500,000. Despite the fact that the second issue was widely believed to be much stronger editorially, sales fell to 350,000.

Unless extra money is raised quickly, or there is a dramatic turnaround in sales the newspaper could run out of money by the end of the month.

The newspaper raised £5.4m from 23 trade unions and 21 Labour-controlled local authorities and £1.1m from private investors. An overdraft facility of more than £3m was also arranged. It is understood that the News on Sunday may have difficulty drawing on its overdraft with sales at their present level.

The paper is aiming for a regular circulation of about 800,000. The main problem it has faced appears to be the lack of public awareness that it exists. A pre-launch advertising campaign appears to have had little impact.

Boesky partners' assets may lead to legal claims

BY CLIVE WOLMAN

ABOUT 80 per cent of the assets of the equity investors in the partnership managed by Mr Ivan Boesky, the disgraced New York arbitrageur, in which Guinness, the UK brewing group, had the largest stake – worth $100m (£60m) – have been realised, Guinness told its shareholders yesterday.

However, the $275m available for distribution to the partners may be the subject of legal claims and cannot be paid out before next March, Sir Norman Macfarlane, Guinness chairman, said in a letter to shareholders accompanying the accounts. Guinness itself is suing Mr Boesky for fraud, negligence and violation of the US securities laws.

The $100m investment was made by Mr Ernest Saunders, Guinness's former chief executive, in what is believed to have been a payment for Mr Boesky's support during the Guinness takeover battle for Distillers last year.

The letter to shareholders also says that Guinness is discussing the return of two deposits, of £50m and £7.6m, which its previous management made with Bank Leu of Switzerland and the London merchant bank Henry Ansbacher, respectively.

Both banks have claimed that the money was used, directly or indirectly, to finance the purchase of Guinness's shares during the Distillers takeover battle and in its immediate aftermath, in possible breach of the Companies Act.

Guinness says it expects the dispute with Ansbacher to be settled shortly. It adds that it is also in discussions with the recipients of about half the £25m of suspicious payments made by the previous management after the takeover battle.

"If no additional recovery results, further proceedings will ensue," the letter says. One of the recipients, the merchant bank Morgan Grenfell, said yesterday it had made no offer to return its £1.65m payment.

Resolutions to be considered at the company's annual meeting on May 27 include one calling for the removal of Mr Ernest Saunders, who was dismissed as chairman and chief executive in January, as a director.

The accounts show that Mr Saunders was paid £165,000 for the past five and a half months of the financial year to December, and a total of £383,000 during the previous nine and half months.

Guinness letter, Page 23

Labour reaffirms links with unions

By Philip Bassett, Labour Editor

LABOUR PARTY leaders yesterday reaffirmed the party's links with the trade unions in the run up to a general election, although the party recognises that its share of the trade union vote seems to have fallen almost to its record-low levels of 1983.

Mr Neil Kinnock, Labour Party leader, thanked union leaders for their organisational and financial assistance at a meeting of the Trade Unionists for Labour organisation.

Mr Larry Whitty, Labour's general secretary, denied any distancing between Labour and the unions. Without them, he said, Labour would simply become another elitist party.

He said the findings of a poll this week putting trade unionists support for Labour at 38 per cent, only three per cent in front of the Conservatives, with 25 per cent for the Liberal-SDP Alliance, were not consistent with Labour's own private polling.

This compares with the 1983 election, when 39 per cent of trade unionists supported Labour.

Mr Whitty said that Labour's own polls put union support for the party "in the low 40s."

Call for tighter surveillance of industry aid programmes

BY HAZEL DUFFY

TIGHTER SCRUTINY on the Government's aid for industry was called for yesterday by the National Audit Office, the parliamentary watchdog on public spending, which said that too much money may have been allocated to a number of projects.

In a report to the House of Commons, the office said priority areas for assistance should be identified before further schemes were devised.

Sir Gordon Downey, Comptroller and Auditor-General who heads the office, criticises several aspects of the way in which industrial assistance has been administered.

Assessment of aid from the value-for-money standpoint was inherently difficult, and had been made more so by the Government's lack of clear and quantified objectives, he said.

The evidence that did exist, however, suggested that assistance in the past had not been as cost effective as the Department of Trade and Industry originally expected.

Sir Gordon gave credit to the Department for having tightened up its procedures, but said there was still room for improvement.

He called for "a more systematic and analytical means of identifying priority areas for assistance before selecting schemes."

In designing schemes, there should be "a more rigorous examination of options as to eligibility and rates of assistance needed to achieve the desired impact at minimum cost."

The report, on assistance to industry under Section 8 of the Industrial Development Act 1982 and earlier acts, said that between 1972 and 1986 expenditure totalled £810m and that Section 8 assistance was now costing about £50m a year.

Aid is granted on projects which are in the national interest, and to applicants which have commercially viable schemes that cannot attract assistance elsewhere and would not otherwise go ahead.

The audit office was critical of the period before and after the Conservatives came to power. Before, too much money went to propping up declining industries. Afterwards, assistance had been directed more towards helping newer industries and service industries.

However, the office believed that the selection of schemes could have been based on better analysis of the industrial sector.

Controls on businesses relaxed

BY PAUL CHEESERIGHT AND RICHARD EVANS

THE GOVERNMENT is to give companies greater flexibility in the way they use their premises and has assured them that rates (local property tax) reform would not lead to any increase in costs greater than the rate of inflation.

Statements by Mr Nicholas Ridley, the Environment Secretary, fit into the general policy of reducing the weight of regulation and overheads on business. The announcements were seen as part of an attempt to solidify business support before an expected June election.

Mr Ridley announced changes in the Use Classes Order which specifies the activity which can take place in a particular building – thus a hotel cannot be set up in an industrial warehouse without planning permission.

The most significant change is the elimination of the planning requirement that industrial and office use should be kept separate.

Ferry captain tells inquiry of dangerous reporting system

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE MASTER of the Townsend Thoresen ferry Herald of Free Enterprise, which sank off Zeebrugge with the loss of nearly 200 lives, admitted yesterday that the reporting system operated on board ship was dangerous.

Captain David Lewry told a public inquiry examining the disaster that he assumed the bow doors were closed because he received no report to the contrary.

The inquiry was told earlier that the Herald capsized after sea water poured *onto the vehicle* deck through the open bow doors.

Captain Lewry said he had required positive reports from crewmen on some operational matters, including the locking of the bow rudder and the raising of the anchor, but not on the closing of the bow doors.

He agreed this was an anomaly, adding: "I think we all assumed it was almost impossible to go to sea with the bow doors open."

Captain Lewry accepted that he should have insisted on a positive reporting system, so that he would have known the doors were shut before setting to sea.

He said he would have implemented such a system if he had known that the Herald's sister ship, the Pride of Free Enterprise, had set to sea four times with the bow doors open.

He also agreed that he should have instructed an officer to check that the doors had been closed. However, officers on the Herald, he said, were under pressure because requests for an extra one on the Zeebrugge service had been turned down.

Other crewmen have told the inquiry that some safety checks were impossible because regulations re*quired officers to be in two places at* the same time.

Captain Lewry said the system operated on the Herald had worked well since he joined the ship in 1981. Trouble with the bow doors had been reported to him twice, once in Calais and once in Dover. The ship had remained in harbour on both occasions while the doors were inspected by engineers.

Captain Lewry confirmed earlier evidence that the stability of the ship was not normally calculated before sailing, and the draught was not normally checked.

He said the crew relied on calculations made when the ship was new. This meant he assumed the ship would be stable whatever cargo was placed on board.

Elders, GrandMet in lager licence deal

BY DAVID CHURCHILL, LEISURE INDUSTRIES CORRESPONDENT

ELDERS IXL, the Australian brewing and financial services group, yesterday reached agreement with Grand Metropolitan to end the latter's exclusive rights to brew and market Fosters draught lager in the UK.

The deal, the result of months of negotiations, follows Elders' £1.4bn acquisition in the autumn of Courage, the British brewer formerly owned by Hanson Trust. Fosters is the 10th best selling beer in Britain.

Under yesterday's agreement, GrandMet, the Watney Mann Truman brewing and hotels group whose licensing deal with Elders had not been due to expire until 1996, will now share the rights to the brand with the Australian company in the UK. It will maintain, however, the exclusive rights to the canned version of the beer – which accounts for about a fifth of all Fosters sales – until 1996.

In addition, GrandMet has paid £50m for two drinks businesses Elders acquired as part of its Courage purchase.

GrandMet said the deal was the best solution for the future of the Fosters brand, given that its licence was set to run out in 1996. "This also enables us to benefit from the development of a major world lager *brand," said Mr Allen Sheppard,* group chief executive of GrandMet.

For Elders the deal also represents another step in its plans to make Fosters a top international beer. Earlier this year it acquired the Canadian company, Carling O'Keefe, which gave Elders the rights to brew and sell Fosters in the Canadian market.

Lex, Page 14

Japanese car makers asked to buy British

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

NO LARGE-SCALE influx of Japanese vehicle component producers into the UK is expected to follow car manufacturers, Nissan and Honda, a senior Whitehall official has said.

Japanese companies setting up in the UK were being encouraged by the Department of Trade and Industry to use British technology and design, said Mr Michael Cochlin, who is head of the department's vehicles division.

Mr Cochlin revealed to a House of Commons committee that when it became clear that Nissan was to set up an assembly plant in the UK various ways of measuring local content were examined, and the ex-factory one was chosen because it could be easily audited.

Questioned about the concept of "ex-factory value" to calculate the European Community content of Japanese cars built in Britain, Mr Giles Shaw, Industry Minister, said the department did not believe a change was needed. The calculation permits inclusion of advertising costs and other services, he said.

"The policy is to encourage an increase in the UK components and materials which go into cars built here," he told the committee, which is examining the motor components sector.

Asked about government support for the UK motor industry, Mr Shaw pointed out that £1.4bn had been allocated to the state-owned Rover Group.

During the past five years the motor components industry had also received £75m in regional grants and through the Support for Innovation scheme. Mr Shaw said the innovation cash had supported £100m worth of investment by 100 component companies in 200 projects.

Nick Garnett looks at the expanding JCB operation

Bamford hoists profits to £31.1m

J C Bamford (JCB), the earthmoving equipment maker which is one of Britain's largest privately-owned manufacturing companies, increased pre-tax profits last year to £31.1m from £24.2m and lifted total sales by 17 per cent to £231m.

The company says sales so far this year put it on target to raise turnover to about £255m for 1987 and to push production above 11,000 units.

Mr Anthony Bamford, chairman and managing director, said it was impossible to predict profits for 1987, partly because of currency fluctuations.

Last year JCB produced 10,066 machines in its construction equipment range of which 9,915 sales were actually completed. Exports accounted for 67 per cent of turnover, up 2 per cent on 1985.

The backhoe loader, a tractor-type vehicle with bucket at the front and digger at the rear accounted for 71 per cent of JCB turnover which was almost unchanged on the previous year.

The company increased its share of the world backhoe market from 17 per cent to 17.5 per cent. This kept it in second place behind JI Case of the US which has about 30 per cent of world sales and is the dominant supplier in the US, the world's biggest market for this type of machine.

Excluding the UK market, for which JCB took 55 per cent of sales, the British company achieved 13.4 per cent of all other markets, up from 12.8 per cent.

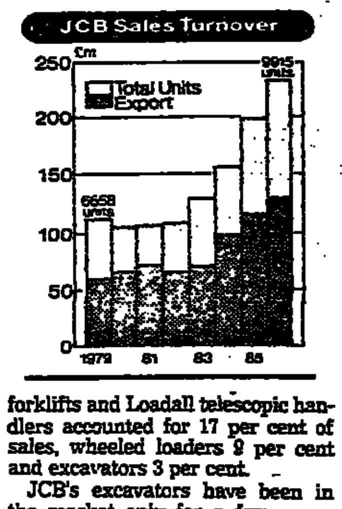
Its sales of backhoes in the US totalled 1745 units, giving it a market share of 7.7 per cent there as against 8.3 per cent in 1985.

The backhoe market is becoming *increasingly competitive*. Caterpillar of the US entered it for the first time last year with the aim of securing 20 per cent of world sales within four years from its assembly plant at Leicester, in the East Midlands.

Nevertheless, Mr Gilbert Johnson, JCB's chief executive, said his company's objective was to take 10 per cent of the US market this year or by 1988 at the latest.

Turnover per employee at JCB, which is based at Rocester, Staffordshire, rose last year to £143,000, one of the highest – and possibly the highest figure – for a construction equipment company. With a workforce of less than 1,400 the company produced 19.6 machines per employee compared with 9.7 in 1979.

The company's rough terrain forklifts and Loadall telescopic handlers accounted for 17 per cent of sales, wheeled loaders 9 per cent and excavators 3 per cent.



JCB's excavators have been in the market only for a few years. Production was running at 2.5 units per day and production capacity would soon be increased to cope with a full order book, Mr Bamford said.

The aim was to become the leading supplier of excavators in the UK. At the moment JCB lags someway behind Hitachi, the market leader.

JCB's excavators have been criticised for being out-of-date and not up to the company's general engineering standards. Sales volumes have been weak. Mr Bamford acknowledged that criticism, but said the product had now been improved, was now up-to-date and winning repeat orders.

Some analysts believe JCB might be tempted into a joint manufacturing venture on excavators. The company said that because it was increasing its penetration of the excavator market there was little need to do this.

The company is known to be testing two protypes of a small dump truck of up to 12 tonnes capacity, about half the size of the typical dump truck found on civil engineering sites.

JCB has developed in partnership with AVL, the Austrian engine builder, a diesel specifically tailored for construction machinery. With three-, four- and six-cylinder variations, the engine can produce from 50 hp to 200hp in turbo charged form.

JCB regularly analyses what other related product areas it might buy into. It was a late entry last year as a bidder for Land Rover before the political controversy prevented Land Rover from being sold.

Government urged to expand work scheme for the unemployed

BY JOHN GAPPER

A SCHEME to provide jobs and training for 30,000 long-term unemployed, at a net cost to the British taxpayer of £76m, was proposed yesterday by the National Council for Voluntary Organisations (NCVO).

The council called for the Manpower Services Commission, which administers the government's job creation scheme, project due to end this autumn, under which 900 unemployed people have been given part-time jobs for a year.

The new scheme would allow voluntary organisations to employ workers part-time or full-time for two years on a wage up to £120 a week while training them. It would be aimed at those who have been unemployed for more than two years.

The full cost of the scheme under the MSC's Community Programme would be £190m, but the council estimates that the net cost would be about 40 per cent of that figure. The grant would cover training and management costs, as well as wages.

The scheme would be managed by area offices of the MSC, and involve local branches of the voluntary organisations. It is envisaged that up to 100,000 people could eventually be employed if it was further expanded.

Mr Stephen Hopwood, head of the NCVO's employment unit, said that the new scheme would place more emphasis on training. Each worker would be encouraged to achieve a recognised qualification or skills.

Staffing shortages cited by nuclear inspectorate

BY DAVID FISHLOCK, SCIENCE EDITOR

BRITAIN DOES not have enough nuclear inspectors, in spite of a substantial salary increase last summer for the Nuclear Installations Inspectorate (NII), a parliamentary select committee was told yesterday.

Mr Eddie Ryder, chief nuclear inspector, told MPs that his inspectorate was unable to attract nuclear inspectors of sufficient calibre from its principal licensees, the Central Electricity Generating Board (CEGB) and the South of Scotland Electricity Board, because of pay differentials.

The current complement of the NII is 102 inspectors, compared with a target of 120, for what Mr Ryder described as "particularly demanding work." He said he had allocated his inspectors to the areas he judged to be of greatest priority.

It meant his inspectorate was unable to undertake as much training of inspectors as it wished, and could not maintain international links with overseas inspectorates as strongly as he wished.

Sizewell B, the CEGB's new nuclear station in Suffolk, occupied about 20 per cent of his staff. But its replication as a "small family" would ease the workload on his inspectors in future and have advantages for safety. The consequences for Britain of the Chernobyl accident in the Soviet Union had occupied three inspectors full-time for the past year and was continuing to do so.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unem-ployed	Vacs.
1985							
3rd qtr.	108.2	103.6	104	117.3	146.0	3,124	164.4
4th qtr.	108.4	103.6	105	117.9	178.8	3,122	168.2
1986							
1st qtr.	109.1	102.6	105	119.3	146.0	3,171	166.5
2nd qtr.	109.3	103.5	104	121.3	154.0	3,208	175.6
3rd qtr.	110.8	104.8	106	123.7	158.7	3,212	200.2
4th qtr.	110.9	107.4	114	126.5	194.3	3,143	213.0
September	110.7	105.2	110	124.5	159.5	3,193	206.4
October	111.0	106.8	109	125.0	166.5	3,166	212.8
November	111.2	107.5	111	127.8	183.9	3,145	215.2
December	110.5	107.9	121	126.7	224.9	3,119	210.0
1987							
1st qtr.				125.4			
January	110.8	105.3	119	123.6	158.4	3,118	210.3
February	112.6	107.6		127.0	154.5	3,073	207.1
March				125.5		3,043	210.6

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1985							
4th qtr.	103.8	102.7	113.4	103.2	112.6	103.3	15.6
1986							
1st qtr.	103.0	101.6	115.4	101.5	110.3	102.8	14.2
2nd qtr.	104.6	100.7	115.3	102.1	110.0	103.6	19.8
3rd qtr.	106.0	101.5	117.2	103.3	107.6	101.9	18.9
4th qtr.	108.3	103.4	115.7	105.7	115.9	104.7	15.3
September	106.2	102.2	116.7	104.0	107.0	102.0	19.4
October	107.4	103.3	116.4	105.0	113.0	105.0	19.3
November	109.6	103.0	115.9	106.0	117.0	107.0	15.8
December	108.0	103.8	114.8	107.0	118.0	103.0	10.7
1987							
January	106.4	103.1	116.6	105.0	107.0	104.0	12.3
February	107.9	104.3	118.6	106.0	112.0	105.0	17.6

EXTERNAL TRADE—Indices of export and import volume (1980=100); viable balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn*
1986							
1st qtr.	117.5	124.9	−1,227	+682	+1,890	101.0	18.75
2nd qtr.	121.9	128.8	−1,551	− 94	+772	102.6	19.20
3rd qtr.	122.6	138.5	−2,873	−931	+646	103.1	20.14
4th qtr.	130.5	143.4	−2,602	−756	+846	100.8	21.97
September	126.2	139.3	−831	−184	+258	102.3	22.43
October	127.0	139.6	−715	−100	+226	101.5	21.99
November	132.8	146.7	−1,000	−384	+354	100.9	22.01
December	131.6	143.9	−887	−272	+266	100.1	21.92
1987							
1st qtr.	129.7	132.8	−1,175	+625	+1,152	100.5	23.75
January	125.0	130.9	−527	+ 73	+371	100.2	21.95
February	137.8	137.5	−224	+376	+326	100.4	22.26
March	126.3	129.8	−425	+175	+455	100.8	27.04
April							29.81

FINANCIAL—Money supply M0, M1 and sterling M3 (three months' growth at annual rate), bank sterling lending to private sector; building societies' net inflow; HP†, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	HP lending† £m	Base rate %
1985							
4th qtr.	2.9	17.6	12.9	+5,378	2,299	3,436	11.50
1986							
1st qtr.	4.1	21.4	19.3	+6,203	2,220	7,375	11.50
2nd qtr.	3.1	25.9	27.3	+6,455	1,433	7,739	10.00
3rd qtr.	5.9	30.3	15.4	+6,006	168	8,223	10.00
4th qtr.	7.6	15.3	14.1	+10,531	2,814	8,178	11.00
September	6.6	34.3	17.8	+806	−671	2,870	10.00
October	6.3	19.1	14.5	+3,488	1,951	2,759	11.00
November	6.4	28.4	19.0	+3,847	100	2,635	11.00
December	10.1	0.6	9.1	+3,196	702	2,784	11.00
1987							
1st qtr.	1.2	20.7	19.6	6,610	1,475		10.00
January	7.7	18.1	12.9	+1,867	456	2,695	11.00
February	0.1	11.1	17.3	+2,862	472	2,948	11.00
March	10.1	13.4	28.9	+2,061	547		10.00
April							9.50

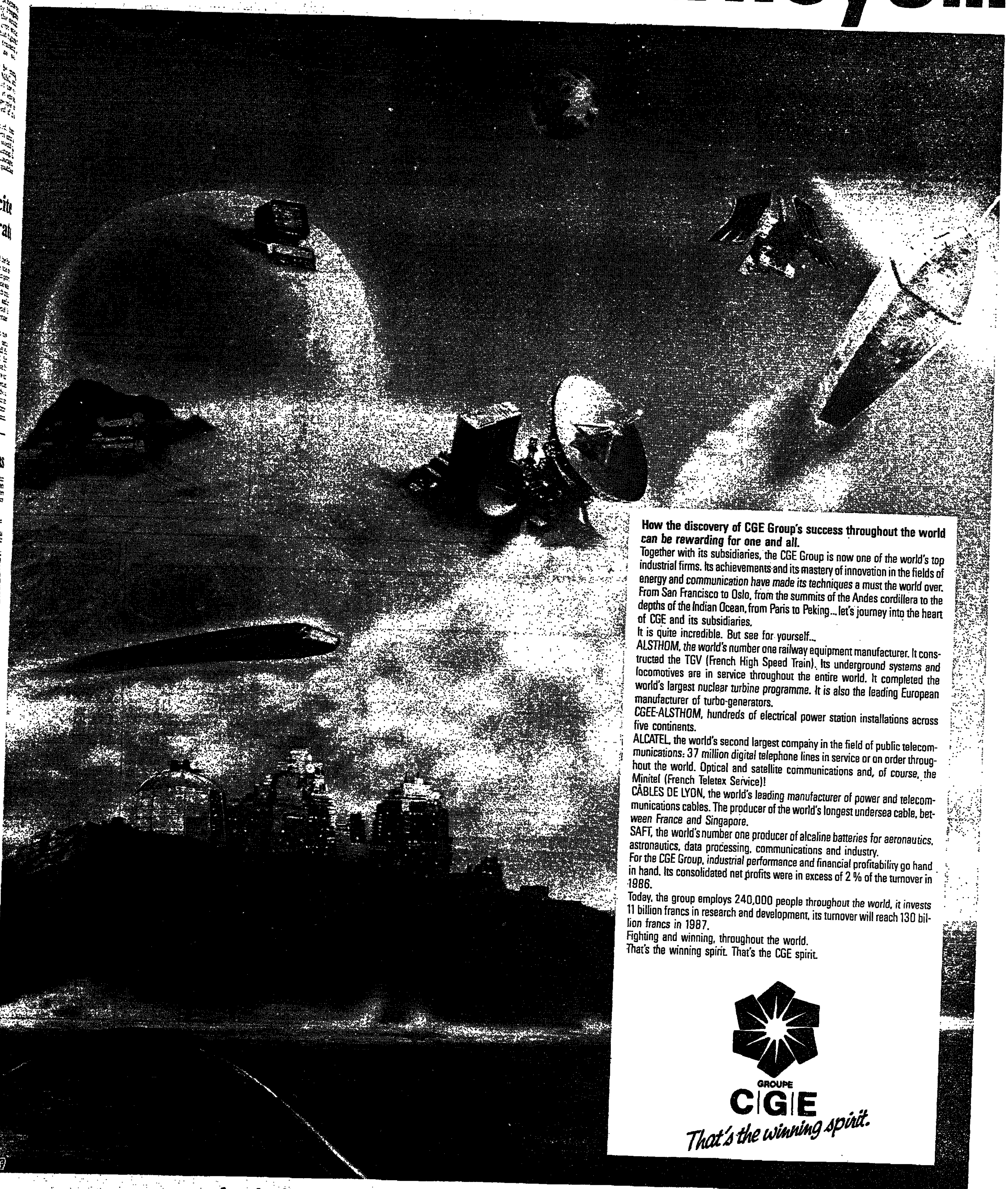
INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

	Earn-ings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
1986							
1st qtr.	179.1	132.4	143.4	96.5	96.9	1,813	75.1
2nd qtr.	184.0	125.8	145.7	97.8	96.7	1,453	76.1
3rd qtr.	187.4	120.8	146.3	97.8	98.3	1,544	71.9
4th qtr.	191.0	127.4	147.4	99.1	98.3	1,637	68.2
September	186.8	122.4	146.7	98.3	98.3	1,544	70.4
October	188.3	124.3	147.0	98.5	98.1	1,600	67.8
November	191.2	127.5	147.4	99.3	98.1	1,617	68.5
December	193.4	130.4	147.9	99.6	98.8	1,637	68.4
1987							
1st qtr		129.9	149.3	100.3	100.5	1,577	68.9
January	190.4	131.9	148.8	100.0	100.0	1,504	68.8
February		129.6	149.3	100.4	100.7	1,586	69.0
March		128.2	149.7	100.6	100.7	1,541	71.9
April						1,583	72.4

* Not seasonally adjusted.

† From January 1986 includes amounts outstanding on credit cards.

Incredible Journeys...



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For the CGE Group, *industrial performance* and financial profitability go hand in hand. Its consolidated net profits were in excess of 2 % of the turnover in 1986.

Today, the group employs 240,000 people *throughout the world, it invests* 11 billion francs in research and development, its turnover will reach 130 billion francs *in 1987.*

Fighting and winning, throughout the world.

That's the winning spirit. That's the CGE spirit.

GROUPE

CGE

That's the winning spirit.

...And that is why you should take shares in CGE.

MANAGEMENT: Marketing and Advertising

Television advertising

Why the pips are really squeaking

BY FEONA McEWAN

ASKED HIS view of Television 87, the British ITV television contractors' conference, one delegate replied gleefully it was the best advert for satellite television he'd heard in ages. As head of sales for the teething-troubled Super Channel, the new UK-based European satellite station, he could savour the smile.

For the terrestrial television companies that make up ITV, the event was a bumpier ride. Frowns were the order of the day in Copenhagen when advertisers and their agencies met up with the ITV companies in their biennial taking stock of their mercurial world. The reason: audiences waning and prices waxing.

The conference's working title "1990s: Big Bang or Controlled Explosion?" was overshadowed by the pressing problems faced by television advertisers now. The spiral of inflation has seen the price of advertising in television jump some 25 per cent in the last year. This is the result of increasing demand—fuelled by new sectors like financial services and government privatisations — and most worryingly, falling audiences.

Figures for the first quarter of the year indicate a 10 per cent decline in total ITV audiences on the same period last year. Faced with aggressive programme scheduling from the BBC under Michael Grade, controller of programmes, most recent figures show that ITV's share of the audience has slipped by 3 percentage points.

So this was more than the familiar advertisers' whinge. For once that worn-out line that the pips were squeaking was real. Both on and off the platform, the message was the same.

Some advertisers have already withdrawn from the medium and others are seriously examining their commitment. Everyone, contractors included, is concerned.

Which brings us back to satellite. With the BBC resisting advertising, the IBA refusing to increase the time given to peak-time commercials on ITV, advertisers are counting on satellite (particularly direct broadcast by satellite, which transmits from outer space into the home direct, to break what they see as the stranglehold ITV contractors have on television.

For so long just theory, this year the reality of dbs is now within reach. According to Andrew Quinn, Granada's managing director and a co-ordinator of BSB, the British franchise, it is only three years away. BSB will focus on the UK though it can be picked up in other parts of Europe.

No one imagines it will ease the problem of supply totally but advertisers welcome the competition. With its planned four channels, BSB will offer wide variety. These include Now, a 24-hour news events channel, ZigZag for mothers and children, Galaxy, a light entertainment channel with quiz shows, chat shows, soaps, and Screen, a subscription movie channel showing three or four films a night.

But that is still tomorrow's story. For the present, there is no doubt that advertisers are reviewing their television strategies as never before, using the medium more sparingly and more selectively, as well as turning increasingly to other media for back-up.

Interestingly, it is the stalwarts of commercial television advertising like cars and fast moving packaged goods, that are feeling the pinch. Toyota has withdrawn from the box in 1987 in favour of the colour press. American Express reports that the cost spiral has meant that it now reaches only 80 per cent of its target on TV as opposed to 100 per cent two years ago and is increasing its activities below the line, with direct mail, for instance.

The Levi 501 commercial topped the poll of favourite ads, closely followed by the spoof on it for Carling Black Label

Ford UK served notice from the platform that unless something was done it would be forced to examine other options. Smiths Crisps dropped broad hints that it has instructed its ad agency to examine alternative media.

Cadbury Schweppes reports that it is having to promote its main confectionery brands at the expense of others, since it cannot afford to support them all as heavily as it would like. The launch of new products is suffering most, says Stephen Ward, marketing director of the company. For example, in the mid-1970s, a product launch needed some 4,000 rating points—one rating point is one per cent of the potential viewing audience—now it's a struggle to get 2,000. "The consequence," says Ward, "is that a brand is not as strong. We're all facing the same problem so the pressure is a threat to the market itself."

Of course, it must be said that where some desert, or consider doing so, new advertisers are rushing in. Financial services and privatisations are leading the rush. Others like British Home Stores, now BHS, part of the Storehouse group, told the conference that TV was a must, despite the cost. "Corporate identity becomes the only differential between success and failure to a company like mine," says Frank Cokayne, marketing director. "The mass market of TV is still very much there for us."

The contractors, for their part, admit that they are concerned at audiences and awards slipping away to the BBC. "But it's happened before," said Paul Fox, managing director of Yorkshire TV, "and we'll win back." Richard Dunn, managing director of Thames, itemised the priorities.

● The need to increase ratings.

● To stabilise the inflationary cost of buying time by increasing the hours broadcast during the day and late night (both already well under way).

● Effective scheduling and better marketing promotion of programmes also need attention. Extra commercial minutes are already emerging with late night TV already started on C4 last weekend and on Central and Yorkshire. "By 1990," he said, "all or most ITV and C4 will be transmitting 24 hours a day."

Agency Leo Burnett also had some ideas for an independent television counter-attack.

Its main recommendations are

● a single scheduling supremo for both ITV and Channel 4.

● move News at Ten to an earlier slot at 8.30 to encourage viewers to watch longer.

● cross-promotion of programmes, and scheduling of programmes to complement each other.

Whatever the conference achieved, it did nothing whatsoever to allay advertisers' fears. In fact the contractors' concluding hard-sell alienated them even further. For the contractors there is much repairing of fences to be done or advertisers will continue voting with their feet.

No-one wins friends when the sale is too hard

IF POLLS in advertising tell you anything, it is that consumers of advertising in the UK are a choosy lot.

A recent survey of marketing folk conducted by Marketing Week magazine showed both a preference for imaginative storylines that draw in the viewer and an allergy to the sledgehammer hard-sell of the "repeat the brand name" school of advertising.

Top of the polls was the Levi 501 commercial followed by the Leonard Rossiter/Joan Collins Cinzano ads, the Carling Black Label spoofs and the enduring Fiat Strada, "built by robots" commercial to the rousing strains of Figaro.

Least liked ads were the Stork SB housewife trial with Leslie Crowther, Ariel "the dirt says hot, the label says not," the Shake'n Vac carpet freshener with a manic hokey kokey dancing housewife and the coffee commercials for Nescafe.

●

THE VISUAL literacy of today's consumer, from the US to Japan, is spawning a new lexicon in advertising, according to Barry Day, vice chairman of McCann-Erickson worldwide. Advertisers will have to contend with this if they wish to communicate with the pop video-reared consumer.

As star turn on the rostrum, Day exercised delegates' minds with his latest provocative trendspotting globetrot round the adscene.

One trend he has noted is the anti-image, anti-style, "don't-show-me-any-image-I've-seen-before" school of advertising, fast gaining currency in the US, and which youth audiences in particular are coming to expect.

One example is Coke's "New Wave" ads in the US featuring the non-existent electronic British creation, Max Headroom—whom, incidentally, many said would never travel. This is currently "one of the most visible campaigns in the US."

Another surfacing trend Day identified is the art of the ambiguous, the clue-strewn abstruse commercial which leaves the consumer to complete the message.

This is something Calvin Klein understands. His Obsession perfume ads, with their mystifying bevvy of male and female beauties flitting across the screen, has made the oblique approach its stock-in-trade. Does it make sense or doesn't it? Viewers are left to make up their own minds. But if the ringing cash registers are any guide, the ads must be doing something right.

Suntory, the Japanese whisky, does it another way. A well established brand, it can afford to take liberties, dispense with advertising basics. In a moody vignette, we see a wistful girl, a railway station, a male silhouette, longing looks, a glass of amber coloured liquid before the end pack-shot tells you it's a whisky commercial. Notably, there are no slogans, still generally obligatory in the more literal west. It is an approach, however, that strikes a cord with UK viewers too (see above) choosing as they do as favourite ads those in a similar narrative vein.

Nor is advertising simply about pushing products. Day showed, among others, an ad featuring a rock 'n rolling Chuck Berry who merely dances across a screen, followed by the word "Parco." (The name does not refer to a record company but to an upmarket Japanese store.) There are no words, no slogan, no customers, no merchandise. "It's sending out a life statement," says Day, leaving the consumer to complete the message.

Why TV will bounce back

Tony Thompson on a Canadian prophecy

THE CURRENT panic about falling revenues among North American commercial network TV station owners could be unwarranted. The networks, faced with more time to sell than advertisers to fill the spots, have responded with cut-backs and lay-offs, particularly in news and current affairs programming. They shouldn't worry, according to George Murray, media director of Ogilvy & Mather Canada. It's just a re-run of an old TV scenario and TV will bounce back as a major vehicle for advertisers, he says.

"The 1984-87 television rates deflation is the third major period in the history of North American TV since the 1950s," says Murray. But these periods have always been followed by boom times. The longest peak ran from 1973 until mid-1984, when the cost of television time "more than tripled."

"In the next 20 years we can expect two major booms, separated by another soft period about a decade from now," suggests Murray. He believes that advertisers are over-concerned about viewers' habits of using their remote control to remove or speed up commercials; are over-anxious about the increasing number of ads in a spots; and have not been astute enough over the increasing fragmentation of audiences.

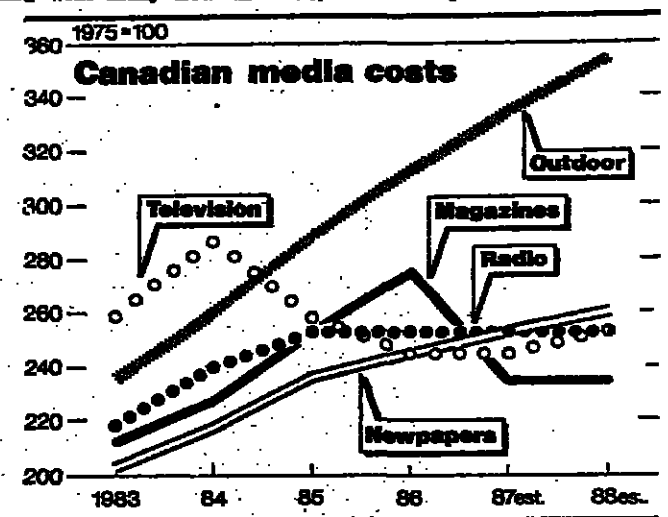
"Canada is probably the world test market on fragmentation," says Murray. "With an 80 per cent cable penetration, a tremendous spill-in of US channels by cable and satellite, and with many new channels, Canadian television has still survived and flourished."

New specialised channels can carve out a market for special segments of the population, but a "minority of mass audience stations continue to command a relatively high mass market for special segments of the population. This could lead to more interactive marketing."

Research by Kevin Burns, in charge of O&M's new technology department in New York, following a minute-by-minute meter study among 2,000 homes with a 39-channel choice, unearthed the fact that despite the variety available there was very little change in viewing habits.

In the immediate future it is other media which should be worried. Murray believes billboards and other out-of-home advertising will be hardest hit. In the US the major outdoor site owners carried 25 per cent less tobacco advertising during 1986 than a year earlier. In Canada, where outdoor earned C$17m, 25 per cent of out-of-home's total revenue, tobacco advertising is to be banned under pending legislation.

"Heading into next year, if the recent trend continues, out-of-home advertising could be costing three-and-a-half times what it did in 1975," says Murray. "This compares with the four other major media groups average of two-and-a-half times their 1975 rates. I forecast a major collapse in the price of out-of-home advertising from 1988."



TECHNOLOGY

Lunch will be served in one thousandth of a second

OUT OF THE BACKROOM

by David Fishlock

MORTIMER Technology of Reading, UK, has invented a machine which heats particles of material extremely quickly. It believes this opens particularly attractive opportunities within the food processing industry, both in the factory and at point of sale.

For example, it is collaborating with food technologists at Pasta Foods, a subsidiary of Ranks Hovis MacDougall, to develop a miniature version of the device which would be suitable for shops, and able to cook in seconds, to a pre-recorded recipe, a new family of snacks. The idea is to transform preformed pellets of pasta into hot snacks by simultaneously expanding and browning them in a blast of hot air, without oil or fat.

Called the toroidal bed, the super-quick heating technique blends the principles of two well-tried concepts— the air cushion and the fluidised bed.

It is the brainchild of Christopher Dodson, technical director of Mortimer, a contract engineering research company. His bed of particulate material takes the shape of a torus (ring doughnut) instead of the customary solid form of a fluidised bed.

The novel characteristics of this system allow considerable energy to be injected rapidly as a blast of hot air or other gases, without raising either a containment problem or any risk of damaging fragile particles to be heated, such as foods.

On the basis of four years of experiments, engineers at Mortimer claim rates of heat transfer 10 times or more greater than current process technology can readily sustain. This is why the machine can be quite small and process times as brief as a millisecond (thousandth of a second).

The bed sits on a ring of narrow vents in the base of the reaction vessel (as the diagram shows). These vents are formed by a disc of stationary, overlapping blades, recessed to leave sharp slits through which gas can be blown at a very acute angle against the bottom of the toroidal bed.

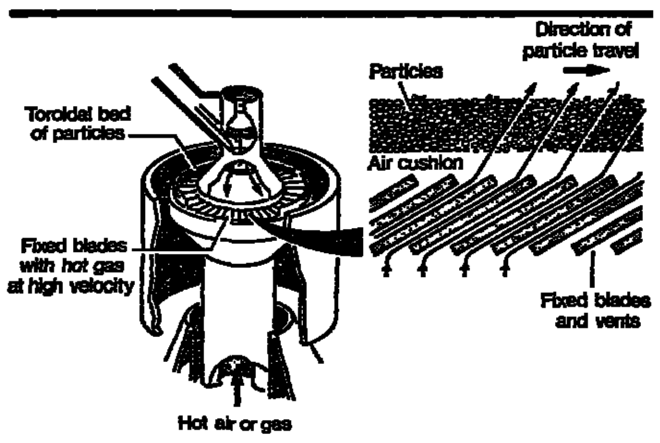
The gas stream acts simultaneously as an air bearing or cushion, lifting the bed, and as a propellant which sets its swirling round the base of the reaction vessel.

But because of the sharp angle at which the gas is injected, the bulk of the bed dampens any fluidising action, allowing much higher gas velocities to be sustained without blowing the bed apart.

Chris Dodson has also discovered that by varying the angle and shape of the vents he can induce rope-like twists running like currents through the swirling torus of particles, still further enhancing the mixing and heat transfer processes. As a result, very hot gas can be injected, for mineral processing for example, limited only by the temperature the vents can withstand.

Dodson's interest was originally aroused by the inefficiency of rotary kilns used to process minerals. For instance, vermiculite, used for thermal insulation, is made by heating flakes of mica rapidly in a rotary kiln, so that the naturally occurring traces of water between the mineral layers flash into steam and expand flakes into pellets.

Rio Tinto-Zinc, the mining group, encouraged the early experiments, which showed that a toroidal bed of mica flakes can be set swirling, whereas they simply will not "boil" in a fluidised bed. By injecting gas at 1,100-1,300 degrees C, beneath the bed, flakes were flash-heated to 230 degrees C, and expanded almost explosively into vermiculite pellets.



Mortimer Technology's toroidal bed is set to create a food processing revolution, both in the factory and at point of sale.

To handle such temperatures, the blades forming the gas vents need to be fashioned from engineering ceramics such as silicon nitride and silicon carbide. With the latter, the concept can cope with bed temperatures exceeding 1,600 degrees C. Peering into an open reaction vessel operating at bright red heat in Mortimer's development laboratories is reminiscent of looking into the exhaust of a jet engine.

The success of the new technology led Dodson to explore a variety of irregularly shaped and upgraded particles, concentrating chiefly on two kinds of feedstock, minerals and foods. He claims it has proved "an extraordinarily gentle process," able to handle fragile foodstuffs. For example, canned peas can be dried in a toroidal bed without turning to mush.

Initially, no-one believed the toroidal bed concept would work, and there was no textbook to guide the inventors. But it worked well enough to mount a factory demonstration in 1985.

The physics of the new process has had to take second place while the engineers worked pragmatically to convince sceptics of the utility of flash-heating, and its ability to handle many different materials. They also secured an international patent position for Mortimer Technology. But Dodson claims to have a fairly good mathematical model of the process, capable of getting within 10-15 per cent of the parameters needed for relatively straightforward applications. The process also scales well, on surface area, so trials can be made in a reaction vessel only 1 foot in diameter.

Now he envisaged more complex applications which will probably require finer engineering tolerances. These include cascades through a series of temperatures, three-phase processes involving particulates, liquids and gases, and chemical reactions as well as simple physical transformations.

Chris Dodson believes the time is approaching when he may need to stimulate some academic studies, although he is not sure which discipline might be most interested; whether it lies in the bailiwick of the aerodynamicist, the heat transfer physicist, or the chemical engineer.

Mortimer Technology reckons it has invested about £1.5m to bring its toroidal bed to the present stage of development. In addition to its own experimental machine it has installed 15 Torbed demonstrations for factories, including one in the US for expanding vermiculite. Mortimer has gained backing from the Prudential, originally through Prutec, its venture capital arm, and now through Prudential Venture Managers.

Coral bets on BBC's wavelength

By Geoffrey Charlish

CORAL, THE UK bookmaker, has started to use the new BBC Datacast system, in which continuously updated data and images can be transmitted privately by any organisation to its own subscribers or users. The system uses the BBC's TV transmitters.

At its London headquarters, Coral compiles text and images to provide a real-time betting, prices and information service. The data goes over land lines to a London BBC centre where it is combined with television programme signals and sent to the TV transmitter. Any of Coral's 800 offices in the UK can then pick it up with a suitable receiver. The information is sent in sequential "packets" along with other user groups' information, but the packets are coded so that a group can only receive its own information.

At the betting offices, any of 12 pages of different information can be shown on monitors.

Key battles in the fight to become the banking gateway to Asia

By Stephanie Yanchinski in Singapore

AS TRADE and investments pour into Asia, banks in the region are computerising their systems at a furious pace. Development strategies vary widely, however. The big multinationals are bringing into play the most powerful machines currently on offer, while local banks, unable to compete with their larger competitors on a worldwide basis, have opted to supply computerised home banking services (where customers can transact business with their bank via a home terminal) in an effort to woo newly-wealthy local investors.

The flood of computer installations has been particularly marked in Hong Kong and Singapore, which have embraced the new technologies in an attempt to compete with Tokyo as the financial gateway to Asia.

Among the major players, Citibank has been busy perfecting a system which allows customers in the US or Europe to open a letter of credit anywhere in Asia at the touch of a computer button. This in itself is an innovation for until recently many banks refused to process letters of credit electronically.

Citibank's integrated computer base is a bid for a large share of the "document trade" associated with processing the billions of dollars worth of goods flowing from Asia to the US, Europe and Australia. The system, inaugurated by the bank in January, stores information within its massive database as customers worldwide use their video display unit (VDU) screens to initiate and complete trade transactions virtually anywhere in Asia.

Advanced telecommunications in Hong Kong and Singapore have encouraged other multinational banks to complete sophisticated links with branches around the world. The Honk Kong and Shanghai Bank is installing an electronic mailing system which will eventually link more than 5,000 mail users worldwide, and enable the bank's offices around the world to communicate directly with each other and with the head office.

In another example, the Singapore branch of the Standard Chartered Bank recently spent S$3m (US$1.4m) on a powerful IBM 4381 mainframe, the first of two which will form the centre of international computer network the bank is building. The total Singapore investment of S$10-15m for this system is just part of a five-year US$415m programme for integrating services worldwide. In this way Standard Chartered plans to "leap-frog ahead" of such rivals as Citibank, according to Peter T. Levien-Wynne, manager of the bank's technical services department.

Pioneering technology is no hindrance. The Hong Kong and Shanghai Bank recently purchased three computer systems based on artificial intelligence (a computer package which aims to mimic the complexity of the human brain), to help in such tasks as assessing the credit worthiness of a loan applicant, making operation decisions and training staff.

Local Asian banks, however, are too small to compete on a worldwide basis with the large multinationals. They nevertheless see computer technology as a tool to win lucrative new business in Asian investment and trading.

"We cannot compete with the big American companies," says Nicholas Chong, chief manager of information systems at the Overseas Union Bank, one of Singapore's Big Five. "But we hope to be able to expand in the ASEAN countries by providing a better service locally."

A key component in this strategy to win the loyalty of rich local businessmen in places such as Brunei and Indonesia has been to introduce home banking. But in this aim the local banks are joined by their bigger competitors like Citibank and in particular Banque Nationale de Paris (BNP), which is to develop such cash management systems "as soon as possible" according to Eric Sorro, operations manager.

In their drive to carve out their own share of the Asian market, Singapore banks not only possess the most advanced telecommunications outside of Japan, but a co-operative banking network already knitted together for offering automated teller services and electronic purchasing.

An even more important advantage is that by coming late to computerisation compared to the big multinationals, the Singaporean banking fraternity can profit by the mistakes of others, and design an integrated banking system from scratch. This avoids the considerable expense, such as that faced by Standard Chartered, marrying up incompatible computer systems.

The Overseas Union for instance, purchases only 20 per cent of its software from outside, preferring to develop the rest in-house. Mr Chong says: "Most of the software on offer is not adapted to local banking requirements and requires extensive modifications" not least to take account of the Chinese language. For instance, BNP faces a major problem finding suitable software to service its ten branches in China.

However, in Singapore the banks also complain about local laws which they claim also limit the service they can offer and the technology which can be developed.

For instance, in common with other ASEAN banking authorities the Monetary Authority of Singapore prohibits holding data from Singaporean customers outside of the country without obtaining their consent for every transaction, a time consuming and expensive business.

Standard Chartered Bank wants to set up a sophisticated switching network with Singapore Telecoms to make Singapore the hub of international traffic in electronic data in Asia. "There is no sign the regulations will change," says a bank official. Consequently Standard Chartered "will probably go to Hong Kong, where conditions are truly *laissez faire*."

Western banks wishing to expand in Asia must also take into account Asian distrust of leaving banking to machines. "Everyone is talking about home banking, but so far without success," says Joseph Fang, operations manager at the Hong Kong and Shanghai Bank. "You still need a computer video display unit at home and knowledge about how to work it. Europeans and Americans are more receptive to computers," he says. "We in Asia don't trust technology. Lending here is who you know."

It is a problem that has already been tackled by Union Bank, which with a further example of innovative and untried technology offers a dial-up system where computers recognise customers voices and can carry out banking instructions given over the phone,

High-grade charcoal from timber waste

THE TIMBER industry's waste material can be turned profitably into high grade charcoal using a new high performance pyrolyser, the P1000, from French company, Framatome.

About 30 per cent by weight of wood, coconut shells, corn cobs and similar material is converted to high grade charcoal by blowing hot gases through it. The process is started with burning propane, but thereafter is sustained by re-cycling combustible gas produced by the process. Excess gas can be either burnt off or drawn off and used for other purposes.

Brighton Festival/William Packer

Stars' choice yields rich mix

The Brighton Festival, now a week into its 21st celebration, hosts a gratifying number of exhibitions, official and incidental, international and domestic, amongst its offerings. A few take up the general Nordic theme, while others are simply the fruit of a natural opportunism — for, with the town again full of interested visitors, why not join in the fun?

Introducing with Pleasure is an Arts Council exhibition, generously sponsored by English Estates, for which initiative the company has been given a Government Business Sponsorship Award. This, its first showing, continues at the Gardner Centre Gallery, in the University of Sussex, until May 23. It then goes on an extended tour around the country.

The intention of the exercise is to publicise the Arts Council's own collection, which is both one of our least obvious and yet most substantial collections of modern art. It amounts to something around 5,000 items which have been built up over the years since 1942, when the first purchases were made on our behalf by the old Council for the Encouragement of Music and the Arts. For the most part it has been a judicious and sometimes inspired application of public funds. But it has no permanent exhibiting home or base, for its role has always been that of a resource and stock for the many special exhibitions it has been the council's constant duty to arrange.

Star Choices is the subtitle and gives implicit gloss to the exhibition. Twelve assorted celebrities were invited to make an entirely free and personal choice, two or three works apiece, from the mass currently available in store. There have been anthologies compiled before from this material, and panels asked in to help, but never have the council's guests been drawn from beyond the immediate professional world of the visual arts.

This is, after all, a collection made and held in trust for the benefit of a general public, and the point is well made and nicely taken that the *soi-disant* professional has no over-riding prescriptive say in matters of personal appreciation and enjoyment. Only who shall choose the choosers? These have been recruited from the somewhat wider but still fairly narrow world of the arts in general: an actor, a dancer, a singer, a theatre director, a writer, a photographer, two journalists, two designers, two broadcasters, whose sympathy and familiarity with the material could safely be assumed to a degree, with no danger of any vox-pop philistinism.

In the event they have put together a delightful but oddly frustrating show, for it is rather too small to do anything but hint at its rich potential. Had the selectors been less intelligent in their idiosyncracy, the thing would be perhaps less irritating. As it is we are left, time after time, wondering what next would have been chosen— that is to say, what was so reluctantly left out.

Roald Dahl gives us two splendid, dark examples of British expressionism, painted 20 years apart and markedly different in character — the Matthew Smith still life of 1928, lush, rich and hedonistic, and the Bacon Screaming Pope of 1949, altogether more ambiguous, sinister and violent. Both were bought in 1952, when such things were still well within the Council's reach. Jean Muir is rather more forthright and extrovert in her stylish offerings, giving us early Bridget Riley of 1963, at her most severely optical black and white, and Bruce McLean of 1982, ebulliently graphic, red and blue *Bingo, Bingo, Bango, Bongo*.

Janet Baker is exquisitely reticent with Mary Potter and Gwen John; Kate Adie, romantic and symbolic with Christopher Le Brun and Andrzej Jackowski; David Attenborough sets John Piper's wartime Welsh Quarry against John Craxton's Hydra; Peter Gill with Lucien Freud and again Francis Bacon —the great Van Gogh series— of the 1950s—and so on and on. A mere 28 works are far too few, but how well they show us to what purpose our money has been spent.

The major Festival exhibition on a Nordic theme is *Set Before a King* at the Brighton Art Gallery and Museum (until May 31). For the very first time, actual scenery, properties and costumes from the Court Theatre of Drottningholm, the royal palace near Stockholm, have been allowed away from home, and here they have been set up to supply a wonderfully evocative *coup d'exposition* at least, if not quite *de théâtre*. For the Drottningholm theatre is a remarkable survival, an authentic late example of the practical baroque theatre as it was known everywhere in Europe throughout the 17th and 18th centuries.

In 1792 King Gustav III was assassinated, whereupon his theatre was shut up with everything inside left just as it was, and so it remained for more than a century. More than a fascinating museum piece, it is a true theatre in full — but jealously conserved — working order. The death of the King coincided with the Revolutionary climacteric in Europe which marked a period in taste and art as in so much else. The small baroque theatre disappeared overnight to be replaced by the romantic stage and auditorium more than twice its size.

Dilating upon this historical aspect of the subject, Iain Mackintosh, the theatrical historian, leads us into the Drottningholm display by way of a small but entirely absorbing pendant exhibition, which he calls his curtain-raiser. *Staging the opera in England 1632-1792* is the subtitle's exact description, but the title proper, "*An Extravagant and Irrational Entertainment*," gives us rather more of its flavour: the masques of Inigo Jones, the Handelian Haymarket and Covent Garden, the great new theatres of the Regency, Gay and Garrick, Hogarth and Rowlandson. *Set Before a King*, with its curtain-raiser, is sponsored by Network South East.

Alastair Muir

"The Flower Arrangement" by William Roberts, chosen by by Bruce Oldfield

Jack Buchanan/Birmingham Rep

B. A. Young

Ask his surviving admirers what was so special about Jack Buchanan to make him such a draw, and they are likely to suggest "style." Nostalgia recalls him as a photographer in the Tatler or the Sporting Dramatic, three-quarter faced, a top hat on his head, a cigarette in his mouth. He was an acclaimed revue artist in the theatre; but neither the style nor the content of revue sketches survives death for long, and although Buchanan, born in 1890, went on working until his death in 1957, he did not become celebrated as an actor.

To assemble a biographical piece, then, Peter Woodward has put together a parade of Buchanan revue work interspaced with brief details of his career. In *The Golden Years of Jack Buchanan* he has concentrated on song-and-dance numbers, but alas, not many of the chosen songs do much to justify their resurrection. The lyrics are empty and banal, their only point being to keep people singing the tunes. Twenty-one numbers are given by three men and six ladies plus a performing musical director (Anthony Bowles).

Peter Woodward, besides writing and directing the show, plays Jack Buchanan. He sings well enough for the most part though he should ask Mr Bowles to rearrange "Goodnight Vienna," his final song, so that he does not begin in a creaking bass and leap up an octave in the middle of a phrase. He dances skilfully and tirelessly, and has made himself look quite like his hero, at any rate from half way up the precipitous cliff of the Birmingham auditorium.

The others are sometimes given real names with approximate personalities—Cherry Gillespie is Elsie Randolph, Karen Lynne is Phyllis Monkman, Charlotte Avery is Beatrice Lillie, Andree Bernard is Gertrude Lawrence. Of the men, Mark White is Andre Charlot and Michael Remick is George Grossmith. But they all perform in the concerted numbers, dancing Gillian Gregory's routines prettily and singing tunefully, with discreet miking. There is a good seven piece band on stage.

I found the procession of second-class songs too tedious to be relieved by the charms of the players and I longed for some variety, such as a short comedy sketch which would show more gold from the golden years. It has often been said since *Beyond the Fringe* that revue is dead. Here is the tangible evidence of it.

Christa Ludwig/Wigmore Hall

Max Loppert

The Ludwig mezzo-soprano was one of the great voices of the postwar period. It is now in its sunset, but, as Tuesday's recital (one of the British Library's Stefan Zweig series) showed, the glow it gives off is still warm and radiant. The engagingly gracious platform demeanour that Madame Ludwig presents is reflected at every moment in her control of voice and music. She knows what the instrument can still do, recognises without embarrassment its current limitations—and works within them with a disciplined ease that sends relaxing signals out to the audience. The acid edge at the top is contained (by much downward transposition), the tendency of fast-moving figuration to curdle dexterously smoothed over.

For the most part the programme—Schubert, Debussy, Wolf, Mahler—lay very well indeed; where it did not (in Berg's four songs, Op. 2), some useful dramatic capital was made out of the passing moments of strain. The opening Schubert group was properly in the nature of a warm-up, a testing of voice and hall—by standards obtained later in the evening "An die Musik" was a bit choppy, "Im Abendrot" slightly pale. But by the time "Der Musensohn" was reached, the communicative skills were in full operation.

It's fair to say that in the field of Lieder, and even when the voice was at its most opulently beautiful and ample, Madame Ludwig never worked with the finest brush-stroke. The second set of the Debussy *Fêtes galantes* really want more half-lights and mixed colour shades than she and her young English pianist Charles Spencer were able to discover in them, and perhaps the same could be said for Wolf's "Der Genesene an die Hoffnung."

But when it comes to the large statement, the grand outpouring—Wolf's "Gesang Weylas" and a "Kennst du das Land" of sweeping theatrical power—she remains a wonderfully generous, passionately emotional artist. Of the large Mahler selection that closed the recital, "Um Mitternacht" was very much in this vein; and along with confidently controlled bigness of delivery went a freedom to be broadly comic that made delightful moments of "Lob des hohen Verstandes" and (as one of two encores) Wolf's "Wie lange schon," the bad violinist pictured therein causing hilarious fidgets of vocal and physical impatience. Mr Spencer's impetuosity was here combined with spontaneity of inflection and admirable rhythmic vigour: he is obviously a recital pianist to watch.

Festival of German Arts

Richard Fairman

Over the next month the *Festival of German Arts* will be bringing to London the best of the nation's theatre, music and painting, a celebration of the 750th anniversary of Berlin which will be stretching across the channel. For music, in particular, the time is well chosen: the performers who led Germany's musical renaissance after the war are now its elder statesmen and it is they who will shoulder the responsibility of the festival's leading events.

For this opening concert at the Festival Hall, however—an all-Brahms programme under Antal Dorati—a younger German soloist carried the torch. The violinist Anne-Sophie Mutter has risen to a position of pre-eminence among the new generation of German musicians and the combination of an exceptionally well-schooled technique with much understated, innate musicality makes her an ideal representative of all that is best in the nation's school of music-making.

It is still, perhaps, the technique which catches the ear most often. Violinists of the top rank can be heard playing Brahm's Violin Concerto day in, day out, but it is not often that one comes across this kind of technical facility: few others can move from one note to another with such perfect evenness of tone or balance the notes in passages of double-stopping so that each has exactly the same weight. The close of the first movement was playing of the most exquisite, unearthly poise.

As she plays, no visible effort or strain seems to disturb her physical calm. Everything is quiet, inner assurance, beautifully communicated in the slow movement, where the violin line was so quiet one hardly dared breathe. The finale asks for more gypsy fire and spontaneity, but even that might upset the carefully-judged equilibrium of Mutter's performance as a whole. Over all matters she seemed in full control, pushing Dorati along whenever the tempo was inclined to flag.

The evening had opened with a pedestrian account of the *Variations on the St Anthony Chorale* and the Third Symphony, despite a strong contribution from the Royal Philharmonic Orchestra's horn section, was a strangely passionless affair, light, fluent, passing too easily over the surface of the music. It was all a world away from the full-blooded Teutonic Brahms of Karajan, who will be giving the second and fourth symphonies as the festival's climax.

IRCAM's 10th anniversary/Centre Pompidou

Dominic Gill

Pierre Boulez's Institut de Recherche et Coordination Acoustique-Musique—that subterranean hi-tec warren of studios, offices and performance areas buried deep under the Place Saint Merri next to the Centre Pompidou in Paris—opened its doors ten years ago to the accompaniment of much lively controversy. The Institut's ambition was grandiose: no less than the successful integration of the best of the new technologies with the art of music. Everyone involved in music wished it well. But could such integration be achieved, as it were by directive from on high, merely by allocating impressive and plentiful resources—and more important, even if it could, was the founding of an institute such as IRCAM necessarily the way to achieve it?

If one is to judge IRCAM by its products alone, most observers are agreed that no truly important piece of music has yet emerged from the Institut whose purely musical qualities could not have been achieved elsewhere, or indeed without the aid of a computer-music studio at all. The technology of sound analysis and synthesis has advanced apace; there have been many fascinating developments in the field of musical computer synthesis and control, and many worthwhile discoveries. But composers by and large have been slow nonetheless to adapt to the new tools and methods, and slower still to accept that they may have any central relevance to their art.

That slow acceptance is hardly surprising. During the 1960s and 1970s, a large number of composers quickly lost interest in producing pure tape-music or computer-music "performed" through loudspeakers in darkened concert halls without the assistance or intervention of live players. And although, as a result, by far the most interesting experiments in computer music over the past few years have been directed towards linking computers ever more closely in real-time interaction with performers, thereby allowing performers actually to use the computer as a performing concert instrument, the techniques of live musical interaction with a computer are enormously complex and still very much in their infancy.

Even in the best and most serious productions of the computer-music studios, the computer's role has so far remained largely decorative, a gloss on the surface of a piece which can often seem to stand just as convincingly (or in the more depressing cases, still more convincingly) alone without any electronic intervention. The only unarguable masterpiece to emerge from IRCAM in its lifetime has been its Director's own *Repons* for chamber ensemble, computer and pre-recorded tape — but I have never been convinced, even granted some of the very interesting live transformations wrought by the computer on the soloists' material, whether its role was ever *musically* fundamental — or really more than expensive icing on a masterly traditional recipe.

Wisely perhaps, in the knowledge that it is not, nor was ever intended to be, a music-factory, and that its value as an international centre of research where composers can learn and work cannot be measured either in years or in masterpieces, IRCAM has not chosen to blow its trumpet too ostentatiously for its tenth anniversary. A modest concert series, and between now and the end of the year an electronic presentation, an opera and an oratorio, are all that mark the event.

The first concert of the series, underground in IRCAM's "Espace de projection," offered three premieres each of which in its own fashion illustrated a different approach, and a different impasse. It was never clear from hearing Thierry Lancino's *Aloni* for instruments, contralto solo, children's choir and 4X computer—what role in the music decisive or otherwise, the computer played—except to give a gentle reverberative bloom from time to time to the instrumental texture. The work itself displayed no powerful original intentions, and occupied a genial, slightly muddy middle ground somewhere between Ligeti, Berio and Boulez. The children's choir, the Petits Chanteurs de Paris, were remarkable.

By contrast, the role of new technology in Philippe Manoury's *Jupiter* for solo flute was large and unmistakable—a full-scale investigation 35 minutes long into the possibilities of real-time interaction with the 4X computer: a fascinating exercise, which promised some intriguing paths for future exploration, and touched in passing on some genuinely imaginative timbral combinations (as well as rather too many "electronic" cliches).

George Benjamin's *Antara* for flutes, electric keyboards and ensemble was another substantial piece whose computer-aided elements promised rather more than they actually delivered. Several hundreds of man-hours on the 4X, using an advanced sampling and analysis facility, resulted in the remarkable *technical* achievement of reproducing a good imitation of pan-pipe notes on the two electric keyboards. The musical result was more doubtful: the imitation was not exact, and suppressed (for technical reasons) some of the most striking qualities of the timbre of one of the most subtle and beautiful of all wind instruments. I suspect that with two live, amplified pan-pipe players the sonority would have been many times more arresting—although the score itself is strong, complex and worked in careful detail, and will certainly repay hearing again when it eventually arrives in London.

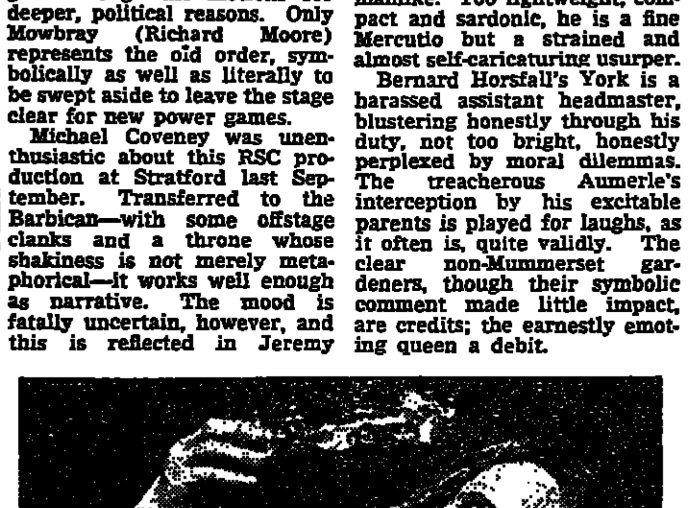
Richard II/Barbican

Martin Hoyle

This play of paradoxes and contradictions — the only Shakespeare history with no battle, the unjust king nevertheless God's appointed, the less worthy man a worthier monarch — seems to have swamped director Barry Kyle and his cast with its ambiguities. An oddly perfunctory production results, lacking conviction and occasionally verging on parody. William Dudley's Book of Hours set suggests a chronicle with its crenellated masonry, blue sky and tapering finials. (The abdication scene almost reproduces exactly the famous illuminated manuscript.) The king adjudicates the opening quarrel wearily blasé, as if dismissively soothing squabbling children. Bolingbroke also hints that his heart is not in the chivalric rigmarole, but he goes through the motions for deeper, political reasons. Only Mowbray (Richard Moore) represents the old order, symbolically as well as literally to be swept aside to leave the stage clear for new power games.

Michael Coveney was unenthusiastic about this RSC production at Stratford last September. Transferred to the Barbican—with some offstage clanks and a throne whose shakiness is not merely metaphorical—it works well enough as narrative. The mood is fatally uncertain, however, and this is reflected in Jeremy Irons's skin-deep Richard. The king gives no sign of the purgatory that redeems the man even as the monarch falls from grace. Mr Irons lacks the vocal honey for what accepted wisdom considers one of the most sheerly lyrical parts in the canon. His Richard begins as silly and trivial—fair enough—but so he remains. More Bourbon than Plantagenet, truly "he has learnt nothing, he has forgotten nothing." The character never develops a jot.

Someone has discovered that Bolingbroke's lines when uttered in prosaic quietness devastatingly deflate the high-flown rhetoric. Michael Kitchen flogs this to death, squeezing out his voice with ponderous emphasis, rubbing his chin, clasping his hands behind him—all in an attempt to appear statesmanlike. Too lightweight, compact and sardonic, he is a fine Mercutio but a strained and almost self-caricaturing usurper. Bernard Horsfall's York is a harassed assistant headmaster, blustering honestly through his duty, not too bright, honestly perplexed by moral dilemmas. The treacherous Aumerle's interception by his excitable parents is played for laughs, as it often is, quite validly. The clear non-Mummerset gardeners, though their symbolic comment made little impact, are credits; the earnestly emoting queen a debit.



Jeremy Irons

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

May 1–7

Exhibitions

TOKYO

Paul Gauguin (1848-1903): In Search of Paradise. This large exhibition comprising 151 oils, woodcuts, sketches and some sculpture reflects Japan's love-affair with European Impressionism and Post-Impressionism. The first style of Western art encountered by the Japanese when the country opened up to the West in the late 19th century has remained favourite. Works in this exhibition include those from Gauguin's earliest period, showing much affinity to the style of his contemporary and close friend, Van Gogh, and his mature Tahiti period of bright colours and bold patterns. Note the dramatic contrast between Two Nudes on a Tahitian Beach with the earlier Bathers at Dieppe. There is much evidence of Van Gogh's oriental influence. National Museum of Modern Art, Takebashi, near Otemachi business centre and Imperial Palace Moat. Takebashi station, Kitanomaru Park exit. Refreshments on 4th floor. English labels; detailed English catalogue available. Ends May 17. Closed Mon.

Space in European Art: 100 works from ancient Greek period to early 20th century selected by distinguished art historians. Japan with its different use of space in art provides an apt setting for comparisons. The exhibition, while mainly paintings, includes sculptures reliefs and engravings. National Museum of Western Art. Ueno.

Hara Annual Contemporary Art Exhibition: Works by well-known Japanese artists include sculpture, painting, photography and laser-video art. Toshikatsu Endo's dramatic canvas dominating the entrance and the graded colour prisms of Hisashi Momose are noteworthy. Japanese fantasy and whimsicality are given full play in Hiroshi Egami's gravity-defying sculpture mobile. For the best representation of today's art don't miss the laser and synthesiser piece by Keiichi Tanaka and Takashi Kokubo. Given its own magical space (Room E), the notice in Japanese invites you to enter to experience the hypnotic and relaxing effect. The Hara Museum, near Shinagawa Station, Takanawa Prince Hotel exit. A small museum set in a pleasant residential area, its garden and cafe aid the digestion of the work of Japan's young artists. English catalogue and publications available. Ends May 10. Closed Mondays.

NEW YORK

Cooper-Hewitt Museum: The design wing of the Smithsonian housed in Andrew Carnegie's Fifth Avenue mansion, features a special show on folding fans. Organized by textile conservator, Lucy Commoner, the fans reflected the fashions of the times during their heyday from the 17th to early 20th centuries, as demonstrated in the 80 pieces of various shapes and designs. Ends May 31. (91st & 5th Ave).

WASHINGTON

Hirshhorn: 30 paintings from the permanent collection trace the use of bridges as symbols of modernity and the past in works by Thomas Eakins, Winslow Homer, Raphael Soyer and Louis Lozowick among others. Ends May 24.

CHICAGO

Art Institute: The 1985 Grand Palais exhibit of Lartigue's 1920s photographs shows the evocative panoramas and fleeting moments on the streets of Paris between the wars. Ends June 28.

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

PARIS

French drawings: At the beginning of the 18th century Louis XIV's love of the grandiose gave way to an art more intimate, more pleasing. A new generation of artists around Antoine Watteau introduced colour as well as a lightness of touch into their drawings under the influence of Venetian and Flemish masters. Musee du Louvre, Pavillon de Flore. Closed Tue. Ends June 1. (4260 3926).

Tanis, The Gold of the Pharaohs: Part of a dazzling treasure from the tombs of the pharaohs of Lower Egypt is on view in the Grand Palais. Gold, silver and lapis-lazuli funerary masks, pectorals and ceremonial vases were discovered in the late 1930s in the delta of the Nile, in Tanis, the capital of a country torn by internal strife. Yet the relative impoverishment seems to have inspired the royal craftsmen with an elegance whose near-classical restraint appeals to modern sensibility. Grand Palais, closed Tue, Ends July 20 (4289 5410).

Costume-Coutume. Where better to stage an exhibition on clothes and their sociological significance than in Paris, whose very name is synonymous with fashion! The imaginatively presented exhibition ranges from the breeches and tunics of ancient Gauls to the rare exhibits from the 18th century – le Habit Français – and to Edith Piaf's legendary little black dress. Grand Palais (Closed Tue, Wed late closing) ends June 15 (4289 5410).

WEST GERMANY

Bonn, Städtisches Kunstmuseum, Rathausgasse 7: A retrospective by August Macke (1887-1914). Born in Meschede, Macke studied in Düsseldorf and Berlin under Lovis Corinth. He did much of his work in Bonn, and was responsible for a new art form Rheinische Expressionisten, before the First World War. His journey in the spring of 1914, with Paul Klee and Louis Moillet, to Tunis became a landmark in art history. In the same year he was sent to the front in France, were he died, aged 27 in action in Champagne, Ends May.

ITALY

Venice: Palazzo Grassi: 'The arcimboldo effect': a curious and stimulating exhibition centred on the neglected 16th century Milanese mannerist painter, Giuseppe Arcimboldo. Much appreciated in his own lifetime for his extraordinary composite portraits, in which the features of the sitter would be composed of the tools of his trade. – Pots, pans and vegetables for the cook (which turned upside-down becomes merely a still-life) or books for the librarian. – Arcimboldo spent most of his working life outside Italy, in the service of three Hapsburg emperors. Included is his arresting portrait of Rudolf II as the Etruscan god Vertunno, made up of fruit, vegetables and ears of corn. The exhibition contains works by Arcimboldo's predecessors, such as Leonardo, Durer and Posch, as well as those of artists active in the early years of the 20th century. It attempts to draw links. – some obvious (Dali, de Chirico, Man Ray and Duchamp). Ends May 31.

NETHERLANDS

Amsterdam, Van Gogh Museum. Thirty paintings by some of the leading French Realists and Impressionists on loan from New York's Metropolitan Museum. Extending from Delacroix to Gauguin, with a sprinkling of Vincent van Gogh's favourite artists, there are landscapes by Millet, Corot and Monet, a Cézanne still life, Manet's colourful and supremely self-assured Young man in the Costume of a Majo, and Pissarro's evocative Boulevard Montmartre. Ends May 31.

Rotterdam, Prins Hendrik Maritime Museum. Centred around two hugh decorative wall maps, The World According to Blaeu examines the history of the famous 17th- century family of cartographic publishers, whose superb, detailed charts were based on the latest information from ships' journals and seamen returning from voyages to the Republic's far-flung trading outposts. Ends May 25.

Groningen, Groninger Museum. 100 selected sheets of Dutch postage stamps illustrate developments in typography and design from 1960 to the present. Ends May 13.

SPAIN

Madrid. Diego Rivera. A retrospective 20th century top exponent of Mexican art, this show offers an ample collection of his works, including a film with his fresco murals, 100 oil and tempora paintings, 110 book illustrations. Centro de Arte Reina Sofia, Santa Isabel 52. Ends June 7.

Madrid, a Franck Auerbach retrospective. 40 oil paintings by the German artist who moved to the UK in 1939 and is an exponent of the figurative expressionism tradition. This show, sponsored by British Council, was recently seen in Hamburg and Essen. Centro de Arte Reina Sofia, Santa Isabel 52. Ends Jun 1.

Barcelona, Auguste Rodin. 60 bronze figures and 40 watercolours on loan by Musée Rodin. Catalogue shows artists' influence on Catalunya's art schools and the Noucentisme. Museo de Arte Moderno, Parque de la Ciudadela. Ends Mid-June.

Saleroom/Annalena McAfee

New Bacon record

A new record price for a work by any British living artist was set at Christie's in New York on Tuesday when a Swiss dealer paid $1,760,000 (£1,085,294) for Francis Bacon's "Study for Portrait 11." The previous record for a work by Bacon was £644,827, realised last year at Christie's in New York. Until Tuesday, this was the highest price commanded by any living British artist.

The portrait was the top lot in Christie's three-part sale of contemporary painting, which made a total of $15,315,740 (£9,009,258). The second highest price of the sale was £841,176, paid for another Bacon, "Portrait of George Dyer Talking," which was also bought by a Swiss dealer.

New record prices were also established for works by R. B. Kitaj, whose "Juan de la Cruz" sold for £226,470 to a London dealer and, posthumously, Andy Warhol. Warhol's silk screen "White Car Crash 19 Times" was bought for £388,235 by a Swiss dealer. An oil by Mark Rothko, "Yellow, White, Blue Over Yellow on Gray," part of the Lambert Collection, fetched £543,529 and Hans Hofmann's "Jardin D'Amour" sold for £420,588.

The sale included the collection of Baron Leon Lambert, of the Banque Lambert in Belgium. All 17 lots from the Lambert Collection were sold, yielding a total of £3,732,235. The highly successful auction follows the record prices also paid for contemporary art at Sotheby's in New York earlier this week.

At Sotheby's two-part sale on Monday and Tuesday, a total of £11,187,455 was realised and record prices for the works of 18 artists were paid, including paintings by British artists Howard Hodgkin and David Hockney and a work by British sculptor Anthony Caro.

The collection of Minimal and Conceptual Art of the Gilman Paper Company, which comprised part of Christie's auction, made a total of £1,719,494.

At Sotheby's in London yesterday, an unusual sale of Fairy Tale and Children's Pictures, part of a sale of 19th century European paintings, attracted some new private buyers. The top lot of the Children's Pictures part of the sale was a 20th century still life of a teddy bear with a napkin, a carafe of wine and a bowl of fruit. Painted by the Austrian Silvia Koller, the painting made £14,850—more than 10 times its original estimate.

A sentimental portrait of a sleeping child, "Dreaming of Snow-White and the Seven Dwarfs," by the Hungarian artist Maria Szantho, sold for £14,300. Of the 19th century European paintings, the top lot was Wouterus Verschuur Snr's "Rustics by a Woodland Path," which went for £18,150.

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Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

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Mrs Thatcher at her worst

MRS MARGARET THATCHER, the British Prime Minister, can be very determined. That is one of her strengths. It is also why she appears ready to call a general election in the next few days and is confident enough of winning a third term of office.

Yet there are times when the determination gives way to obstinacy, to prejudice, to a kind of blind conviction that she is right while almost everybody else is wrong. Many of these occasions have concerned foreign affairs. Mrs Thatcher was originally wrong about Rhodesia, wrong about Europe and wrong about the Soviet Union. Each time she allowed herself gradually to be corrected and she was saved from her own excesses, though none too gracious about acknowledging the advice.

A spectacular example occurred in the House of Commons yesterday when the Prime Minister flatly turned down the call for a fresh inquiry into the allegations about the security service and the premiership of the now Lord Wilson in the mid-1970s.

Yesterday morning it all seemed so simple and so convenient, as if the proper course of action were being handed to her on a plate. Sir James Callaghan, the former Prime Minister who had been privy to the first inquiry and had proclaimed himself satisfied with it in 1976, had finally dropped his recent reticence and called for a new one. Since Mrs Thatcher had nothing to hide, nor the security services either, the argument went that the last obstacle to fresh investigations had been removed. It would have been in her own interests to lift the lid on events, or perhaps non-events, that took place before she became Prime Minister.

Foolhardy decision

Instead she dug in her heels. She said categorically: "I do not intend to institute a further inquiry." The security services had conducted a new internal inquiry in the last few months and had again come to the conclusion that nothing was, or had been amiss. She spoke with such apparent finality that she evidently believes that the matter is closed. It is not.

Unless, and even if, the Prime Minister has something to hide after all, it is difficult to imagine a more foolhardy decision in the circumstances. It is bad for her, bad for the security services and ultimately bad for the country.

It is bad for Mrs Thatcher because it raises the question of her own obstinacy — the other side of the coin to her determination — and does so at a time when she could have been going into a general election campaign rather sedately.

Opportunity lost

It is bad for the security services because the rumours and counter-rumours about what may have happened in the mid-1970s are likely to intensify. Only last week the word from the security chiefs was that they would welcome an inquiry, if only to clear the air. They now appear to have been snubbed. They will inevitably face further allegations that all is not well without the opportunity to acquit themselves.

It is bad for the country because the security services can only function properly in a democracy if there is a degree of public trust in what they are doing. It is not as if their entire past record has been immaculate; last month it was revealed that the late head of MI6 had been a homosexual and sought to conceal the matter from his organisation. Thus it will be understandable if the public takes the view that there is no smoke without fire and that there must be at least something in the allegations now coming from Mr Peter Wright, the ex-agent whose book the British Government is trying to ban. Mrs Thatcher has done nothing to calm this down.

The pity of it all is that it was coming to be generally acknowledged that the time for a wide-ranging inquiry into the security services was ripe. It could have looked not only into the Wright allegations and all that goes with them, but also into the future of the service and ways of providing some monitoring of its activities. By her statement yesterday the Prime Minister has set all that back. She should not be surprised if it returns to haunt her in the election campaign, and long after that.

Opportunity in Portugal

THE DISSOLUTION of the Portuguese Parliament presents both an opportunity and a danger for the poorest member of the European Community. There is some reason to hope that the election called for July 19 will help to consolidate the advances made in the past four years towards stabilising what, before, had been a democracy of continuous cabinet crises.

Yet the manner in which the minority Government of Dr Anibal Cavaco Silva and his Social Democratic Party was brought down last month was a reversion to the bad old days. No respectable issue but straightforward politicking caused General Antonio Ramalho Eanes, a former president, to withdraw the support of the Democratic Renewal Party from Dr Cavaco Silva.

Obvious problems

Portugal will not be able to confront the European challenge if General Eanes's coup were to signal a return to the political merry-go-round which, so far, has given the country 16 governments since the overthrow of dictatorship in 1974. Only recently has the dizzying speed abated: Dr Cavaco Silva survived for 19 months and a Socialist Government before him managed two years.

A return to political uncertainties would militate severely against a resurgency of investment, and especially of foreign investment, which the country needs to become competitive within the Community of 12. But that is not all. Only a strong administration can tackle the obvious problems of the Portuguese economy.

As a result of the revolution of the mid-1970s, Portugal is saddled with an oversized clutch of state-owned industries, extending to something as unexpected as the breweries. The state-owned businesses are, in general, wildly overstaffed and inefficient. Radical reforms would require constitutional amendments, something that is beyond the powers of a minority government.

The labour market is clogged by legislation making it extremely difficult, though not impossible, to reduce employees even in troubled businesses. Portugal is in danger of throwing away its main comparative advantage of low labour costs. These difficulties are accentuated by the existence of a larger-than-needed body of officialdom employed in a public service devoted to bureaucratic red tape.

In industry, the makers of shoes, clothes and textiles have enjoyed some considerable success, assisted by relative labour intensity in a low wage country. But these are not industries with high growth potential and, moreover, Portugal is up against stiff competition from the Third World.

Add to all that the country's peripheral position, making for high transport costs for its exports and imports, and entrepreneurial attitudes not shaped by domestic or international competition, and the magnitude of the task undertaken when Portugal joined the Community becomes evident.

Business climate

Not that all has gone badly since Portugal became a member at the beginning of 1986. The business climate has improved, assisted by the decline of the US dollar and the oil price. The current account is in surplus, even though merchandise trade is not. The inflation rate has been reduced, though at 12 per cent last year it was still far too high. So was the budget deficit equivalent to 11 per cent of GDP.

It reflects some credit on President Mario Soares, himself a Socialist, that with prospects such as these he resisted pressure to let his party form a left wing "front," instead of plumping for elections. Such a front would have had to include the Communists and would, by its very nature, have been unstable. The inevitable uncertainties would have jeopardised the cyclical improvement that the Portuguese economy has enjoyed and, more important, would have hampered the structural changes which the country needs.

A painful transition

Vietnam has followed China and the Soviet Union down the perilous path to economic and political reform. Steven Butler reports

THE 100-mile stretch of road between Hanoi and the Chinese border at Lang Son is still littered with twisted steel and broken concrete blocks from bridges destroyed by American bombs during the Vietnam War. It is a reminder of one of the many wars the area has experienced over a period of hundreds of years.

Travelling up to the tense border area in a lumbering black Volga sedan which shudders over every bump, one looks in vain for evidence that the machine age has made any impact on the region.

Peasants hand buckets of water up terraced rice paddies. The mountains are stripped bare of trees, with often nothing left but bare dirt after grass has been collected for cooking fuel. As the sun goes down, candles and kerosene lamps flicker dimly.

Twelve years after the fall of the Saigon government brought peace and unity to Vietnam, and despite a massive infusion of Soviet aid, the Vietnamese people are probably worse off now than during the war.

Inflation is raging at over 700 per cent annually, eroding the foundations of the modern economy. An estimated per capita income of about $180 makes Vietnam one of the poorest countries in the world. Basic necessities are becoming more difficult to come by and international aid officials say over half the country's children are malnourished.

These difficulties are compounded by a severe population problem. The population, now at about 65m, could hit 100m by the turn of the century.

Last year, Vietnam's prolonged economic crisis finally took its political toll when, during preparations for the 6th congress of the Vietnamese Communist Party in December, local party units rejected a draft political report as grossly dishonest. The amended report was an abject admission of failure by the old guard of the party, who resigned en masse, ending one of the longest periods of continuous rule by any communist party leadership in the world.

The transition to a new generation of reform-minded leaders, headed by the Party General Secretary, Mr Nguyen Van Linh, has touched off a process of political and economic change not unlike that which has gripped China since the death of Mao Tse-tung.

Unlike China, however, where many leaders look back to the 1950s for evidence that central planning can work, Vietnam has never had a period where central planning produced economic growth. While continuing to pay lip service to the superiority of a highly centralised system, senior Vietnamese officials blame at least some of the country's woes on a hasty importation of Soviet management practices.

The reforms which Vietnam's new leaders have now begun to implement will radically alter the structure of the economy. They include an exceptionally liberal draft foreign investment code, due to go before the National Assembly within the next few months, which will allow for up to 100 per cent foreign ownership of Vietnamese ventures and guarantee repatriation of profits. The country's banks are to begin raising and lending funds at market rates, rather than at the heavily subsidised rates which now prevail.

In addition, the last few weeks have seen a move towards introducing greater factory autonomy: factory managers have been given more authority over planning production, and the use of retained profits, and are to be allowed to sell on the free market any production which is surplus to state quotas. Private long-distance trade in foodstuffs has also been encouraged by the lifting of road checkpoints which used to restrict such trade.

If the leadership can muster the political will to follow through on its reformist ideas, the result could be a very different kind of socialism, with strong local institutions taking root beside, and in some cases taking over responsibility from, the system of rigid planning. It is a move which would have important implications both for the domestic political system and for Vietnam's relations with the outside world.

The story of Vietnam's economic decline makes depressing reading. Billions of Vietnamese dong, roubles and precious dollars have been invested in dams, bridges and other ambitious infrastructural projects which have taken decades to complete and have left little investment capital available for the production of goods and services. This in turn has led to serious shortages of food and consumer goods.

Central control has collapsed while individuals and production units scramble to protect themselves from the effects of severe inflation. Meanwhile, low controlled food prices have meant that the state system is failing to bring enough food to urban markets.

The task of the new leadership is daunting. Although those now running the country earned their reformist credentials in Ho Chi Minh City (formerly Saigon)—where a series of market-oriented measures such as the legalisation of second jobs and of private businesses with up to 10 employees have proved highly successful—the reform of the national economy is likely to prove more difficult.

Following a critical internal debate earlier this month, however, it is now clear that the country is set on a path of reduced government presence in the economy.

The Government is now putting together an austerity programme which will cut a million jobs from the state payroll over a two-year period in an effort to reduce government spending and tame inflation. Moves to encourage the private sector are aimed at increasing the supply of consumer goods and creating jobs.

It is a bold and politically dangerous programme. The Vietnamese people so far have been given only the vaguest hint of what is about to take place; yet their co-operation and support will be critical, especially in urban areas where unemployment is felt most keenly.

The Government has attempted to reverse widespread cynicism about the Communist party by admitting its failures and allowing open criticism. The recent National Assembly elections were the freest ever, with nearly twice as many candidates as seats, and the party leadership now intends to use the National Assembly to create at least the appearance of democracy and political responsiveness. They must create a national consensus to move forward.

All of these changes have crucial implications for the West. Despite a recent doubling of Soviet aid to $2bn annually, Vietnam is painfully aware that the socialist bloc has neither the capital, the technology, nor the markets to support the rapid growth of the country's economy.

Vietnamese openly long for a return of America to play a more active role both in the region and in Vietnam, to balance the overwhelming Soviet presence. They are interested both in Western aid and in trading with the West.

The desire for better relations with the West has made the pressure for Vietnam to withdraw its 140,000 troops from neighbouring Kampuchea very real; the country knows it pays an enormous price in lost foreign aid and trade opportunities as long as it stays. Western diplomats in Hanoi are convinced that Vietnam will pull out of Kampuchea by 1990, as it has repeatedly promised.

The risk is that the new leaders' reformist ideas may prove too politically dangerous as bureaucrats find their authority whittled away.

Yet in the end, necessity is likely to prove even more powerful than the vested interests of the bureaucracy. Because of poor harvest conditions in central and northern Vietnam, the price of rice in Hanoi today is nearly four times that of Ho Chi Minh City in the south. Last week the Hanoi government admitted the state could not provide enough food and authorised public and private companies to cut across administrative barriers, ignore the state's hierarchical supply network, and trade food on a commercial basis.

THURSDAY BOOK REVIEW

The Reckoning

By David Halberstam

Bloomsbury: £15

THE MOST famous and revered American in Japan during the post-war years—with the possible exception of General Douglas MacArthur—was W. Edwards Deming, a quality control expert.

Deming's theories went unheard in the US but, by a lucky chance, on one of his first visits to Japan he addressed a group of prominent industrialists who immediately went off to try some of his suggestions. They produced rapid results.

Beginning in 1951, the Japanese annually awarded a medal named in Deming's honour—they were on the way to changing their country's worldwide image as a producer of imitative and shoddy goods.

Scratch a Japanese car, they used to say at the time in Detroit, and you can see the Budweiser labels under the paint.

Deming is one of a host of characters author David Halberstam uses to compare the American and Japanese cultures by re-telling the histories of two major automotive companies. He uses the reported experiences of some of the cars.

Halberstam chose Ford as his US example because, when he started the book five years ago, General Motors was too big and Chrysler too financially shaky. Ford is the second-largest American automotive group so the choice of Nissan, second in Japan, seemed logical.

Nissan's history reminds us just how much the Japanese owe to American experts like Deming who freely gave advice and access to what the astonished Japanese perceived as important industrial secrets.

To be sure, the Americans in the 1950s tended to treat the Japanese in a condescending way. Now, 30 years later, says Halberstam, comes The Reckoning.

The views he passes on about the motor industry today are profoundly depressing. Halberstam avoids pontification but produces a string of expert witnesses to testify that the bean counters — finance men with little feeling for the products — have taken control in Detroit.

In Ford's case they were first given power by Henry Ford II when he took over a company whose financial controls were in an incredible mess

Harold "Red" Poling, Ford's current president, and Alan Gilmour, the chief financial officer, are proteges of Ed Lundy, one of a group of financially oriented "whiz kids" Henry Ford II installed just after the Second World War.

Another, Robert McNamara, who eventually became US Defence Secretary after a brief period as Ford's president, once illustrated his idea of the "perfect car" with no drawing at all but with a string of statistics.

The finance men were in constant conflict with the people managing the production plants, which became more and more decrepit. The cars they turned out became bigger and bigger but did not change much otherwise — product development costs money.

The American industry was able to foist shoddy and unexciting products on its customers because GM, Ford and Chrysler formed an oligarchy which benefited from the development of a huge middle class in the 1950s, all wanting cars.

All that was changed by two oil supply crises and by US Government legislation attempting to force the industry to give up its gas-guzzling big cars. It also brought to the attention of a wider American public the virtues of smaller Japanese cars, enabling the Japanese to capture 30 per cent of the US new car market.

Halberstam's experts suggest the bean counters still rule in Detroit, their power butressed by changes on Wall Street where short-term thinking has been reinforced by the opposed takeover bid and the activities of the corporate raiders.

With an eye fixed firmly on the bottom line of the balance sheet, the US motor industry has virtually given up small car production and is searching outside the country for components made by cheap labour.

The automakers are contributing to a new industrial revolution—the steady de-industrialisation of America.

Halberstam's evidence suggests, in contrast, that the Japanese will emerge from the current trade war skirmishes stronger than ever.

Halberstam's style will not be to everyone's taste. For the most part the book is written like a novel, complete with dialogue. But it is repetitive, far too long and covers much familiar ground for those who take more than a passing interest in the motor industry.

Halberstam offers little that is new about the industry's future—he is content to quote his interviewees, many of them opinion-formers who have been widely quoted elsewhere. Not many would challenge the general assertion that, in spite of the recent recovery in profitability, the US companies have won only a brief respite.

They have not pushed back the Japanese who will go on to take even more of the US market once the "transplanted" Japanese factories begin production in the US.

All of this, Halberstam implies, supports a more chilling conclusion. He suggests that no country, including America, is ever likely to be as rich as the US was from 1945 to 1975. As other nations follow the Japanese industrial model, life for Americans is bound to become leaner.

However, there is still little discussion of how America can "best adjust to the age of diminished expectations or how it should marshal its abundant resources for survival in a harsh, unforgiving new world, or how to spread the inevitable sacrifices equitably."

Kenneth Gooding

Men and Matters

Sun Life and Liberty

Peter Grant, non-executive chairman of Sun Life Assurance Society, has been on the receiving end of some rough press comment over his attempts to keep Sun Life out of the clutches of Donald Gordon, the ebullient boss of Liberty Life of South Africa.

A merchant banker by profession—he is deputy chairman of Lazards—Grant, at 57, knows through long experience how to defend a company against a bid. But Donald Gordon is not actually bidding for Sun Life. Having built up a near 26 per cent equity stake, he is putting forward three of his nominees for Sun Life's board.

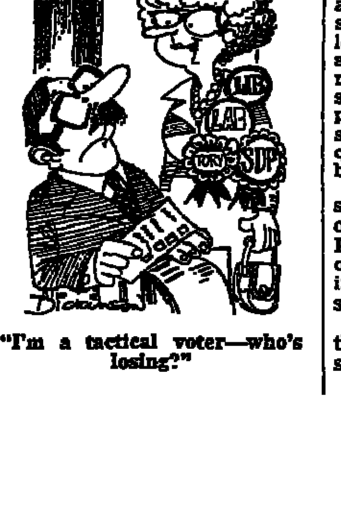
This proposal, reasonable in itself if Liberty Life were a friendly investor, is regarded by Sun Life as an attempt to achieve a measure of control by the back door, and Peter Grant is pulling out all the stops to defend Sun Life against this move.

His first problem in getting the proposed board membership defeated is to overcome shareholder apathy. However, his scare tactics to arouse shareholders have arguably gone beyond what is normal in a takeover defence. And by personally conducting the campaign he has turned it into a battle of wills between himself and Donald Gordon.

He has fared no better with his second line of defence—a plan to merge Sun Life with another financial institution. He has consistently failed to make it clear, at least to journalists, when he is talking factually and when he is speculating on a possible future for Sun Life.

As a result, the impression has been created that a merger with the likes of Pearl Assurance or TSB is on the threshold of being announced, when talks have not even started. The denials have been embarrassing to all concerned.

In contrast, the arguments put forward by TransAtlantic Insurance, effectively Liberty Life's UK operation, appear reasoned, logical and well balanced. Grant will have to pull his socks up if he is to win the propaganda war. Next Wednesday's annual general meeting could be the moment of truth.



"I'm a tactical voter—who's losing?"

Victorian values

The troubles of ex-Senator Gary Hart prove that the Moral Majority still has a strong influence on American attitudes, in spite of the financial and other scandals which have sprung up among the moral leaders themselves. British attitudes remain a shade more robust; constituency parties seem willing to forgive the peccadilloes of more than one sitting MP, and party headquarters do not seem unduly bothered, either.

So it is the Americans who seem to be the current curators of the Victorian values the Prime Minister likes to praise—or so you might think. One incident in Gladstone's life suggests otherwise.

The young Gladstone was the Norman Tebbit of his day, so it was to him that the Tory intelligence agent brought the news that the Whig leader Palmerston, then well into his 70s, was keeping a young actress.

"I hope you have told no-one else," said Gladstone. "If this gets out, Pam will sweep the country."

Trade winds

The rising yen and the US-Japan trade war has had a perverse impact on the latest US company to be listed on the London Stock Exchange — Molex, a Chicago-based electronics outfit.

Molex, which makes electronic and electrical connectors, tends to feel the chill if cold trade winds blow from the US towards Japan, because, perhaps uniquely for a US electronics company, Molex sells more in the Far East than it does in the US.

Fred Krehbiel, Molex vice-president, in London yesterday for the listing, pours cold water on any suggestion that the Japanese market is closed. "They are always willing to buy from you, provided you offer the right product at the right price."

Molex's sales to Japan, which it first entered in 1970, have been helped by its decision to set up four manufacturing plants there, Krehbiel says.

But now its Japanese customers are asking it to share some of the pain of the rising yen. "Our Japanese customers are under considerable pressure to reduce prices to remain competitive," Krehbiel explains.

Molex is following the large Japanese corporations as they move their operations outside Japan. It has just employed its first Japanese national in the UK for that purpose and has made sales to Sony, Toshiba, Hitachi and Sharp in Europe

But the company, whose three top managers are all members of the Krehbiel family, is also determined to sell more to European customers—hence its decision to seek a higher profile through a London listing.

Shaw's secret

Ministerial procrastination plumbed new depths yesterday during a Commons Trade and Industry Select Committee hearing.

Under discussion was the peculiar British custom of adding a letter to car indentification plates—currently it is the letter D—so it is possible to tell when a vehicle was first registered.

The change is made every August and causes a massive distortion of the market

Some interested parties want the system changed or even abolished, and the Department of Transport has set up a special committee to look into what should be done.

At yesterday's select committee, Industry Minister Giles Shaw was asked for his department's view on the subject and what it has suggested should be done. Shaw refused to tell.

The astonished chairman, Kenneth Warren, retorted: "Surely this is not a secret the Russians are going to worry about, is it?"

Nobody's perfect

The mainstream political parties have been pipped to the post by Brixton Anarchists who launched their general election campaign yesterday by stationing a man outside the tube station in London wearing a large rosette saying "Vote Nobody."

"Nobody will ensure decent homes for all," is the confident assertion in their manifesto, which goes on to promise an end to party political broadcasts if everybody votes for nobody.

The guiding spirit of their campaign is Guy Fawkes—"the only person to enter Parliament with honest intentions."

Observer

ECONOMIC VIEWPOINT

Unemployment: action still needed

By Samuel Brittan

AS RECENTLY as 1973, unemployment was below 600,000 or 2.1 per cent on today's definitions. If anyone had suggested that unemployment in the 1980s would exceed 3m or 11 per cent he would have been regarded as a monstrous prophet of doom. If he had also said that the Government which was in office during the greater part of this increase looked like being elected for a third time, he would probably have been dismissed as a political lunatic.

The Government has escaped unscathed (a) because the 89 per cent in work have mostly been doing very well, and (b) because the recent fall in the numbers out of work has created the comforting impression that the corner has been turned. How much of a turn has there really been?

In round numbers, unemployment has fallen by between 150,000 and 160,000 in the last year, nearly all of which has been in the last six months. The most elementary respect for the irregularity of economic movements and temporary phases, both good and bad, suggests that we should take this 150,000 as a yearly rather than six monthly rate or fall.

If we do this, and project the yearly trend, it will take 10 years for adult unemployment to fall from a little over 3m to 1½m, or from 11 to 5½ per cent of the working population on today's definitions.

Unfortunately, bare unemployment totals, even when seasonally adjusted, are an inadequate guide to unemployment trends.

The problem arises from the Government's own "Special Employment" measures, such as the Youth Training Scheme, and Community Programmes, which in all now cover over 700,000 workers. In addition nearly 1.2m of the long-term unemployed have had "Restart" interviews, and in recent months there has been a stricter application of the availability-for-work test. The latter had become weakened as a result of false economy measures by Conservative governments under which benefit was sent in the post from benefit offices, divorced from the job centres.

The argument is not that the special measures are all bad. Indeed many of the reforms suggested both by the job campaigns on the Left and the Workfare advocates on the Right would involve large additions to Community Programmes, as explained below. The difficulty is that these measures have a once-for-all effect on unemployment, which distorts the underlying trend.

The crude total of workers on special schemes exaggerates the effect on the unemployment because of "substitution." For a fraction of those on Community Programmes or YTS would have found normal jobs. At one time the Department of Employment published estimates of the "register effect" of special measures, which allowed for substitution, and thus enabled outsiders to gauge the underlying trend. But this is no longer the case.

Particular suspicion has been caused by Restart and the stricter work availability test, which have been associated with a dip in the measured labour force as a proportion of the population of working age, suggesting that some of the former unemployed have been eased out of the register.

Professor Richard Layard, who has disputed that the job scene is improving, has not always been his own best advocate. For audience reaction to his statistical analysis has inevitably been clouded by the "It's all the government's fault" emphasis of his popular campaigning. Setting up the government of the day as a scapegoat seems to me too easy an escape from the "wage pressure" diagnosis of Layard's more academic work.

But having said this, Layard has still won hands down in his recent exchange of letters with Lord Young in the Financial Times, when he showed that the number of jobs had grown no faster than the population of working age. It is not good enough for Lord Young to say that everything is fine because there are both more jobs and more people of working age.

Normally the number of jobs ought to be growing *faster* than the population of working age if underlying unemployment is to fall. Layard's remarks about static job opportunities need to be answered and not just dismissed with a debating reply.

There has probably been some underlying fall in unemployment, although less than suggested by the Department of Employment figures. There is an adjusted series by Greenwell Montagu, the stockbrokers, showing a drop of 80,000 in the last six months. That may be too large. But it would be in the Government's own interest to publish a proper analysis of the trend, which would still show a movement in the right direction, but prevent disillusionment from false hopes after polling day when the present euphoria evaporates, as it will with astonishing rapidity.

* * *

A proper analysis would show the need for more policy measures, especially for the long-term unemployed. One fashionable nostrum is known as Workfare, after the recent US practice in many states of making people on relief do some community jobs for their money. Workfare has also some similarities to official practices in Sweden and Switzerland and to Beveridge's original proposals for Britain in his famous Social Security Report.

Although a recent study by John Burton for the University of Buckingham Employment Research Centre, *Would Workfare Work?* was financed by the Department of Employment, Lord Young has been anxious to put himself at as great a distance as possible from it, seeing it as an electoral hot potato. On April 23 he issued a statement saying that "its main recommendations has been largely overtaken by recent developments" and that Workfare was "not feasible for the UK."

Most of the reaction to the Buckingham Report has been based on its summary conclusion that there was a case for Workfare in the UK. But the body of the report is most illuminating and is in fact highly critical of many of the claims made for Workfare.

The most outstanding impression from reading it, is how similar the case for Workfare, normally made on the Right, is with that for special measures or job guarantees for the long-term unemployed, normally advanced from left of centre. Much of the report is an analysis of the problems of extending Community Programmes and public works and would be equally applicable to the proposals of the Charter for Jobs and similar campaigns.

Indeed, Workfare can be regarded as an extension of Community Programmes, with the big difference that work on such programmes becomes compulsory, indeed of merely an opportunity. A variety of sanctions has been suggested to make sure places are not refused, ranging from withdrawal of benefit, to reduction of benefit or several weeks' benefit suspension.

The theory behind Workfare is that faced with such sanctions, the reservation wage of the unemployed—ie the minimum wage at which they are prepared to take a job will fall; and that this will lead to more marketplace jobs, as well as to Workfare places.

Some Workfare supporters argue that the formerly unemployed person forced into work will not be worse off. For even if he is forced to take a job below his former dole level, housing and family benefits will ensure that he is no poorer than before.

Even if this could be demonstrated the unemployed person still loses. Before Workfare came along, he could choose between the dole and a very low-paid job, a choice of which he is now deprived. But if the unemployed person loses, at least the rest of the nation should gain; but Burton's arithmetic makes such gains seem extremely doubtful.

The first step in an appraisal of the cost of Workfare is to look at the cost per place of the existing Community programmes. The costs of materials, supervision and travel is estimated at over £1,600 per place. When an amount for the modest pay received by Community Programme workers, net of tax paid, is added in, the cost amounts to £2,200 per worker. If Workfare payments were confined to benefit levels the cost could be nearer the £1,600 in the table.

Such low cost estimates depend crucially on the work being essentially of a highly labour intensive kind, such as clearing sites, cleaning up public amenities, or help with the old and sick. If construction jobs were involved the net cost per place would rise to anything from £4,000 to £9,500 according to whose estimate you accept.

Burton assumes that Workfare might involve an effective reduction of 30 per cent in benefit levels for those who refused it and that 1m might be eligible. Whether Workfare costs or benefits the Exchequer and by how much will depend on two crucial relationships:

(a) The number of people who would be induced to find jobs through this 30 per cent potential benefit cut; and

(b) The costs of Workfare places.

The results range from an Exchequer gain of £1.4bn to a cost of £0.8bn. Burton suggests taking the most cautious estimate, both on general grounds and because as programmes increased, more high-cost ventures would creep in. Moreover, Workfare might attract married women, teenagers and other low-earners into the labour force, thus increasing its cost.

Burton found a moderately favourable public response to the Workfare idea. The greatest enthusiasm was shown by those on Community Programmes, and the greatest scepticism by the whole Manpower Services world, including, predictably, the programme administrators.

Burton's cost estimates assume a rigid national budget constraint. They disregard the argument of many economists that increased demand for the services of the long-term unemployed, who are not scarce in the labour market, is much less inflationary than higher spending in general and might therefore justify higher Exchequer borrowing.

If, however, some £0.8bn p.a. can be spent on Workfare, why can it not be spent to enlarge the ordinary Community Programme? There may be less saving on dole payments, if the threat of benefit withdrawal is removed. But more people will still have the option of community work rather than doing nothing at all. As a palliative, pending the more fundamental changes in other parts of the labour market, it is a good deal better than nothing.

Table 1

Government employment measures: Participants (08, Mar, 1987)

	'000s
YTS	318.2
Community Programmes	252.0
New Workers' Scheme	34.1
Enterprise Allowance	81.0
Job Start	5.7
Job Release	24.3
Total	715.3
Restart interviews, cumulative total:	1,172.1

Source: Department of Employment

Table 2

Community Programme: Cost per worker, 1986

	£
Travel costs	432
Materials and equipment grant	440
Supervisor costs	722
Managing agents	80
Administrative overheads	160
Total gross cost	1,834
Less tax and NI of supervisors	200
Total net cost	1,634

Source: Employment Research Centre

Table 3

Est. total cost of Workfare

Unemployment response	Numbers leaving long-term employment	Provision of Workfare places	Cost—optimistic (£m)	Cost—based on Community Programme (£m)
Cautious	210,000	790,000	+172	+844
Optimistic	780,000	220,000	−1,395	−1,208

Source: Employment Research Centre

Lombard

Schools and their customers

By Michael Dixon

PEOPLE WHO live by pleasing the customer must be bewildered by the state education service's response to the latest pre-election pledge by Mr Kenneth Baker. All the Education Secretary has promised is a modest increase in parents' power to send their children to the secondary school they most like. Yet teachers and others in the service are denouncing it as the harbinger of enormously costly "chaos."

Mr Baker's pledge is possible because the UK's teenage population has been falling since 1979-80. Hence most local education authorities which directly run state schools have been under less pressure to find places for secondary pupils. But the fall has not had an even effect on all schools in a local area. Some have gone on being swamped by applications from parents whereas the rest have been undersubscribed.

Local councils could have bowed to the parental customers' preferences by keeping up popular schools' intakes so their total rolls stayed at the peaks of 1979-80, while letting the rest diminish. Instead, most authorities chose to trim popular and unpopular schools alike in line with the overall drop in the area's eligibly aged population. They are allowed to cut schools' rolls down to four-fifths of the peak numbers by the Conservatives' own 1980 Education Act.

Mr Baker promises to change the law to make secondary schools accept as many applicants as would raise their pupil numbers to the maximum reached in the past seven years. An example might be a popular school whose peak entry of 100 places has been cut to 80, which it could fill three times over. The number of rejected applicants would go down from 160 to 140.

To judge by the reactions of some education-service staff, however, even so small an increase in parental power would let loose irrational anarchy in the land. Take for instance the comment of Mr David Whitbread, a senior educational official at the Association of County Councils. "Parents might choose a school where the buildings are about to fall down," he said. "Authorities might have to keep that open, and close a school where the buildings have 50 years of useful life."

His foreboding seems somewhat exaggerated. Many parents of adolescents may well sometimes wish they could be temporarily taken out of circulation. But few would go as far as choosing their school by its propensity to collapse on their heads.

Although most other opponents of Mr Baker's plan take a more charitable view of parental intentions, they nonetheless doubt families' ability to make a worthy choice. It is claimed that no matter how much information local authorities made available on their schools, most parents would still be swayed primarily by rumour and prejudice. If so, of course, today's fathers and mothers cannot have had much judgment imparted to them by their own schooling.

The root concern of the Education Secretary's opponents, however, is evidently not that most parental customers lack judgment but that the relatively few who possess it are very selfish. Many education-service staff think that giving the discriminating minority power to get their offspring into above-average schools would make them stop caring about the below-average and leave them to decline into "sinks" for the majority of children less lucky in their birth.

But if unpopular schools' fate rests on ambitious parents' readiness to put up with substandard education while pressing for improvement, the majority of children's prospects are already bleak. That much is shown by the record 7 per cent share of the school-aged population being sent to independent schools, often by families making considerable sacrifices to afford the fees.

Local councils might do better to expand thriving schools as proposed by Mr Baker, thereafter trusting the customer to see that their quality was maintained, and concentrate their managerial attention on the schools that are failing.

Letters to the Editor

Penalising Lloyd's

From Mr J. Incledon

Sir,—Like many a private investor in unquoted companies, I have some fairly valuable assets with no yield of any kind. For me, Lloyd's has been quite a good wheeze by providing an income from non-yielding, but readily saleable, assets.

But, Clause 58 of the 1987 Finance Bill makes my blood run cold. The Chancellor argues that each underwriting syndicate's reinsurance to close is not truly an arm's-length transaction but a partial roll forward and deferral of untaxed profits from one year to the next. Rubbish!

Ably guided by my members' agent, I resigned from two duff syndicates last year and joined new ones instead. Good portfolio management, whether within Lloyd's or in any other field, requires constant review of management and change, when change is required. Some change takes place involuntarily through death or adversity. Practically no syndicate ever contains exactly the same group of people from one year to the subsequent one. As far as names are concerned, the reinsurance to close between one year and the next is an arm's-length contract, binding on two different parties. The premium is properly allowable as a bona fide expense for tax purposes.

Yet, suppose that fairness demands that Lloyd's and the insurance companies with which it competes should calculate their reinsurance provisions on a closely similar basis, for each category of account. What then? For me, at least, . . . Bye Bye Lloyd's. Why? Because there are two fundamental differences between Lloyd's and any insurance company. Unlike a shareholder in an insurance company, I have unlimited personal liability. No joke and no abstruse academic possibility as any PCW name will tell you. Lloyd's must be materially more conservative than a limited liability company.

I enjoy the privilege of a 60 per cent rate of tax on my marginal income. The average British insurance company has a tax rate less than half mine. If each of my syndicates is required to reduce its reinsurance to close—and so its reserves—leaving me to be taxed on my share of the difference—while probably receiving none of it as cash in hand if the underwriter is sensibly prudent—then bang goes Lloyd's as a means of boosting the yield from non-yielding assets.

Does it matter if some like me decide to reduce our underwriting or drop out of Lloyd's completely? This year, Lloyd's should generate over £10bn of premium income from outside the UK. With Britain's balance of payments once more heading into sizeable deficit, any Chancellor should think very carefully indeed before risking Lloyd's contribution to the balance of payments from services.

John D. Incledon.
Suite 33,
140 Park Lane, W1.

Corporate relations

From Mr M. Jones

Sir,—An interesting point worth stressing about the merger of the Anglia and Nationwide Building Societies which took place at the end of April is that it is the first time that borrowers of a building society were required to vote on a major merger. This was in compliance with Sections 93-96 of the Building Societies Act 1986. In both cases the merger was approved by huge majorities—98 per cent by both Anglia's and Nationwide's borrowers.

The introduction of this statutory provision to allow borrowers the vote was possibly intended by the Government as a legal safeguard for customers. It may however, more broadly be seen as part of the general corporate responsibility towards the customer.

This corporate responsibility to the customer was acknowledged in the accountancy steering committees corporate report in 1975. Since then various companies such as Boots, British Petroleum and British Telecom have published reports targeted at the consumer. Until now however, corporate responsibility to the customer has not been enshrined deeply in the law. Perhaps the Building Societies Act 1986 is a small step in that direction?

Mike Jones.
Portsmouth Polytechnic,
Locksway Road,
Milton,
Southsea, Hants.

Virgin Group's results

From the Chairman, Virgin Group.

Sir,—We are dismayed at your coverage of the Virgin Group's interim results. Implications were made, and a tone set, notably in Lex (May 1) that we believe to be completely unjustified, particularly in the light of uniformly favourable Press and analyst comment.

As to matters of fact and implications about our business, we would highlight the following. Virgin is not "uncomfortably dependent on artistic temperament" and this played no part in the music division's performance. All releases planned for the period were delivered on time. It was totally unclear as to whether the retail division made £2m in the period (which it did) or "losses." And retail has not had "another new management team." We are baffled by the slighting references to management. The Group has an exceptionally experienced management team and doesn't need "acquisition (to bring in) more experienced management." And for a view of our management capability may I refer you to the recent Management Page article in the Financial Times. And the comment that some hold "the belief that the company is dangerously dependent on a stream of new short-life products" is both unjustified and misleading.

All of these points were covered at the presentation to analysts and answered for any journalist who cared to ask.

To read your commentary was extremely disappointing (especially after we were so pleased to deliver figures of £16.1m compared to £12.4m for the previous period).

We know and respect the power of Lex, and believe that such power should be exercised with more care than on this occasion.

Richard Branson.
95-99 Ladbroke Grove, W11.

Economic upturn

From Mr H Neuburger.

Sir,—I was somewhat surprised to read Samuel Brittan (April 30) claiming that the economic upturn was greater than the Government expected. He offered no evidence to support the contention, beyond the old claim—long rebutted by the Central Statistical Office—that output figures are always revised upwards.

The claim was made on the same day as the CSO published figures showing that consumers' expenditure had stagnated for the last six months. On the previous day the DTI told us that retail sales had fallen by 1.2 per cent in April.

Samuel Brittan also made full use of the CBI survey. Certainly that survey shows clear and welcome signs of the upturn of manufacturing industry since the autumn. Unfortunately the more recent indicators are not quite so encouraging. Neither Samuel Brittan no your fuller news coverage of the CBI survey on the previous day pointed out the monthly enquiry showed a decline in all the indicators in April compared with March. While these declines were not large, it does suggest that the economy may already be running out of steam.

Given the roots of the upturn, this may not be entirely surprising. The main stimulus to output as Samuel Brittan argues is the devaluation of the pound last year. What he fails to point out is that we are losing the competitive advantage that devaluation gave us. It is being eroded by the relatively high inflation in Britain where prices are currently rising faster than in any other major industrial country, and by the rise in the sterling index.

The other major source of the upturn was the fiscal stimulus from the growth in public expenditure last year. That growth is planned to slow down in the current year. Given the very high propensity to import out of personal consumption, the fiscal stimulus from tax cuts will provide little boost to production in the UK.

Henry Neuburger
21 Northchurch Road, N1.

Financial services

From Mr J. Wilson

Sir,—The article by Feona McEwan (big budgets spawn a build-up of financial promotions, April 23) provides an interesting insight into how professional marketing services people view the personal finance sector.

Consultant Richard McManus places much store on a research exercise that shows, he claims, that "People don't want (financial) products. They want homes, not mortgages. Cars, not current and share accounts . . ." An unkind critic might wonder why so much time and effort was spent to provide this blinding insight into the obvious. Worse still, it seems to have escaped Mr McManus's attention that many major companies in the personal finance market have long understood this aspect of their own business and advertise their services accordingly.

The real problem within many financial companies is a lack of resource with regard to the most vital element in marketing: market research. Although this is changing as some recruit qualified marketing people to replace the ex-line manager, many companies are under-resourced in both staff and budgets.

The article also quotes results from a survey among 2,000 adults called Consumer Finance Market Segmentation, "the first attitudinal segment study designed for the financial services sector." The lay reader could be forgiven for inferring that this is the first attitudinal survey of the sector concerned. It is not, and the use of the word "segment" in this context is superfluous.

The invention of five "consumer types" as the result of the study could be questioned on the grounds of statistics alone: 2,000 is a very small sample from which to draw conclusions that could be used as a basis for national marketing strategies and multi million pound promotional budgets.

John Wilson.
Sandpiper Services,
2-4 Fitzroy Street, W1

FINANCIAL TIMES

Thursday May 7 1987

Spotlight on a French soap opera

A battle royal has broken out between the main players in the French television industry, reports Paul Betts

PAF in French means tight, plastered, drunk, wham or bam, at least according to a recent edition of Collins' English-French dictionary. But in the past few weeks, it has taken on a new meaning in France.

Paf is short for Panorama Audiovisual Francais. It has a peculiarly appropriate onomatopoeic ring to it, describing the French broadcasting scene which is in a state of ever-increasing frenzy and agitation worthy of a Feydeau farce.

The Government had hoped that passions would eventually die down in the excitable and politically charged world of French broadcasting after it sold control of the country's leading state channel, TF-1, for FFr 3bn ($502m), to a group of private investors led by Mr Francis Bouygues, the French construction magnate or "cement king" and including Mr Robert Maxwell, the British publisher.

Instead, tensions have revived in the past three weeks, reaching a climax after the rival French television networks decided to launch an unprecedented bidding battle to secure the services of the country's most popular television stars.

In barely a week, the new owners of TF-1 discovered that three of their top attractions had been lured away to the Fifth Channel controlled and managed by Mr Robert Hersant, the French right-wing press baron, and Mr Silvio Berlusconi, the Italian television entrepreneur.

Mr Bouygues and his partners were angered and alarmed by the Berlusconi-Hersant strike, which robbed them of some of their biggest stars, such as Mr Stephane Collaro and Mr Patrick Sabatier.

Mr Collaro is the star and producer of a daily 15-minute sketch show – Cocoricoboy on FT-1 – which has been extraordinarily successful. In the show, President Mitterrand appears as Kermit the Frog and the French Communist leader Mr Georges Marchais as Miss Piggy. Mr Sabatier hosted a popular Friday evening talk and variety show on TF-1.

Mr Hersant and Mr Berlusconi are understood to have agreed to grant Mr Collaro a direct stake in the network in order to attract him to the Fifth Channel.

Apart from the loss of some of its leading variety stars, TF-1 has also been unsettled in the past three weeks by internal management upheavals with the arrival of the new team led by Mr Bouygues and his partners.

After coming under heavy criticism, the Bouygues team hit back yesterday with a glittering press conference in a Parisian hotel to present the new top management and stars of the TF-1 network.

Mr Bouygues said he would be "an active chairman" of the network and as flashbulbs popped, he kissed suntanned cheeks and shook the hands of his new recruits and stars, including Ms Christine Ockrent, one of France's most popular newscasters, and number three in the new TF-1 hierarchy.

The day before Ms Ockrent had written a vitriolic article in Le Monde on the sorry spectacle of the French television industry. Yesterday she beamed for the cameras in her new role as a close associate of the cement king.

Mr Bouygues has indulged in some star pinching himself. He has recruited to his network Mr Etienne Mougeotte, one of the key architects of the unsuccessful bid for TF-1 by the rival Hachette consortium, and Ms Michele Cotta, the former head of the now defunct French broadcasting authority. Until recently she worked for the Europe-1 radio station controlled by the Hachette group.

Mr Francis Bouygues: new star line-up

This has led Mr Jean-Luc Lagardere, the chairman of Matra and Hachette, to compare the current manoeuvrings in the French broadcasting industry to the unsavoury cattle trading which takes place during the French soccer transfer season.

All this agitation highlights the state of flux in the newly deregulated French broadcasting industry and the big stakes involved. With six general-interest channels and one pay-television network, the chains are competing for an advertising market which they acknowledge may be hard-pressed to support so many networks. Indeed, a major shake-up in the industry is expected to take place.

"You are going to need deep pockets and you will have to maintain high ratings to attract the advertising revenues, and some networks are unlikely to make it," a French television executive said yesterday.

The Government, too, is concerned by recent events. The turmoil could make the sale of 40 per cent of TF-1 to the public this month difficult. As part of the privatisation of the state network, the Government initially sold 50 per cent control of the channel to the consortium led by Mr Bouygues. It must now offer 10 per cent to TF-1 employees and the remainder to the public.

Already, French television viewers have been bemused by the Dallas-like happenings inside the country's television networks which have dominated newspaper headlines for weeks.

"I wonder how many of them will decide to invest in a few shares in TF-1. It certainly won't be like Saint Gobain or Paribas," remarked a television critic at the Bouygues press conference yesterday.

Le Matin newspaper declares itself bankrupt

By George Graham in Paris

LE MATIN DE PARIS, the French pro-socialist daily newspaper, has declared itself bankrupt.

The newspaper has been losing FFr 6m ($1m) a month since the beginning of the year, and a strike by journalists and print workers aimed at forcing the payment of April's salaries prevented the title from appearing yesterday.

Employees voted to return to work yesterday afternoon after they had been told of the bankruptcy plan, but an emergency board meeting still decided to file for bankruptcy with the Paris commercial court. However, the newspaper will continue to be published for the foreseeable future.

Mr Paul Quiles, former Socialist Defence Minister, who has headed Le Matin's holding company Medias-Presse-Communication for the past two months, has been trying to find new shareholders to boost the paper's capital by FFr 40m to FFr 80m.

A number of possible investors have been suggested, but Mr Quiles has been reported to be unwilling to allow the Italian/Luxembourgeois group Interpart Editions – which recently acquired a 20 per cent stake in the MPC holding company and a 12 per cent direct stake in the newspaper – to expand its role and take over the management of the paper.

Le Matin was launched 10 years ago and sought individual shareholders for a new left-wing newspaper, but it has been suffering a steady decline in its circulation since 1981. Circulation today is thought to be less than half the peak of 178,000 copies a day it reached in that year.

A wave of departures has hit Le Matin's management and editorial staff in recent weeks, culminating in the resignation on Monday of Mr Daniel Houri, who had been managing director for less than two months.

Mr Houri cited personal reasons for his departure, but several journalists suggested that he had decided the paper's problems were insoluble.

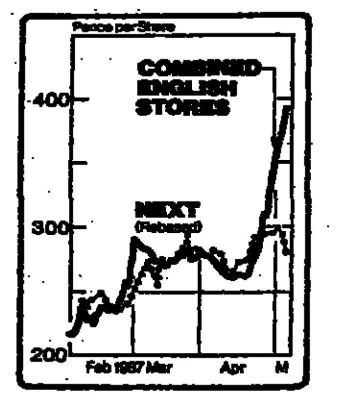
THE LEX COLUMN

Marriage of more convenience

Retailing shares may be underpinned by property, but they are propelled by image and personality. On this count, Combined English Stores has long lacked something which not even the recent jump in profits could supply. Whatever their other qualifications, both the present bidders – Ratners and Next – can claim to have whatever it is that stores fanciers look for. It is unfortunate for Ratners, which had the brief pleasure of being recommended by CES last Friday, that Next has a reputation for retailing flair which can trump any in the business.

Next has also kicked in £22m more than the Ratners offer and picked up two further assets which seem likely to see it through. Next has taken the precaution of buying 17 per cent of CES, and it has also obtained that invaluable thing, the CES recommendation. Not that the CES management will have had much doubt about what to do; having put its business on the counter last week, it had no choice but to consider a higher offer.

Next can make a good case for its ability to use the assets of CES; it wants to expand in product areas like jewellery and needs in any case to replenish its High Street property bank. Ratners, clearly aching to use its paper to diversify away from jewellery, must be thinking hard about coming back with a still higher offer – but the threat of dilution would then be rather worrying to Ratners' own shareholders, never mind those of CES.



For Courage there are a few costs, too, in retaining its brewing credibility. It faces the danger of Fosters cannibalising Hofmeister and has had to leave the profitable off-licence can sales with Grand-Met. More important it has had to offer up Saccone & Speed (with its 380 off-licences) at a generous net asset value of £50m. The wider significance of the deal may be the speeding-up of the trend away from the brewer-tied estate towards the consumer business built around brand marketing.

Fosters swap

Yesterday's neat solution to the Fosters lager problem leaves everyone looking pleased with themselves. Elders/Courage regain control of their brand and boost their lager portfolio. Grand Metropolitan guarantees itself a reasonable income stream until 1996 and should be able to stretch out returns from its considerable investment in Fosters for a few years beyond that.

Though the doubling of marketing expenditure may not double sales in two years as the optimists are suggesting it will certainly keep the Paul Hogan fans happy; Fosters should in fact become the most heavily-marketed beer brand in the UK.

Trafalgar House

The stock market occasionally behaves like an Old Testament divine, looking for a sign. In the case of Trafalgar House's interim figures the market, in this vein, was seeking not so much the delivery of good figures – that was out of the question – but intimations of optimism on the part of Sir Nigel Broackes.

In fact, Sir Nigel's statement was not exactly resounding in its affirmation – no more than a presentiment of jam the day after tomorrow – but it was enough to send the share price up 21p to 389p.

Trafalgar was quick to point out that were it not for the absence of £25m of sales of investments, pretax profits would have been up, rather than down by a quarter to £54m. But Trafalgar has benefited in the past from taking such items above the line. Now it must pay the price of the loss of its touch in the acquisitions business.

In the case of Scott Lithgow, the below-the-line damage over the past two years has been about £113m. Trafalgar is now talking about recovering much of that in legal action against British Shipbuilders.

Whether the pursuit of such a claim is politic for a company which puts a high value on Government relations is another matter. Yet any attempt to improve the balance sheet which does not involve either acquisitions for paper or straight rights issue, should be welcomed.

For the time being, the prospective yield of about 5¼ per cent is vital underpinning for the shares, until profits really do flow from gas turbines in China and polypropylene plants in the Soviet Union.

Marks and Spencer

At last Marks and Spencer has given the stock market some evidence on which it can base the beginnings of a re-rating. After reasonable interims, the UK business put on quite a spurt in the second half and Marks is able to claim an increase in market share that is impressive given its size. But for yet another temporary, and largely explicable, setback in Canada, full-year figures would have looked even better than the cleaned up £425.3m, up from £365m.

Under the surface there has been quite a revolution in the Marks chain as the modernisation and expansion programme has progressed. The resulting volume gains combined with increased gross margins must be the retailers' idea of nirvana as the effect on net margins is sizeable. Volume growth in food might look more pedestrian than in the past, but at 7 per cent last year it still leads many of the purer food chains.

Whether Marks can continue to expand in the more concentrated high streets of the future remains to be seen, but it is in a much stronger position than most of its rivals both in its buying power and its ability to finance continued upgrading of its stores.

A gearing ratio of 7 per cent half way through a four-year £1bn redevelopment plan is a sign of a powerful cash flow. With Canada bouncing back and the chargecard losses eliminated, it is not hard to forecast £500m or more for the current year. A prospective multiple of 20, on a price of 248p, up 12p, is taking Marks' value for money slogan too far.

Bank of England resists rates pressure

BY JANET BUSH IN LONDON

THE Bank of England again resisted pressure in financial markets yesterday for a further cut in base lending rates, intervening quite substantially on foreign exchanges to brake sterling's rise.

Domestic money market rates ended little changed from Tuesday's levels after the Bank left its dealing rates unchanged, signalling that it was not prepared to see another fall in borrowing costs at this stage. Nevertheless, market rates continue to anticipate a half percentage point cut in base rates to 9 per cent.

The Bank's signals to money markets this week have not been aggressive,and its appears that the authorities would be willing to concede another rate cut if upward pressure on sterling became overwhelming.

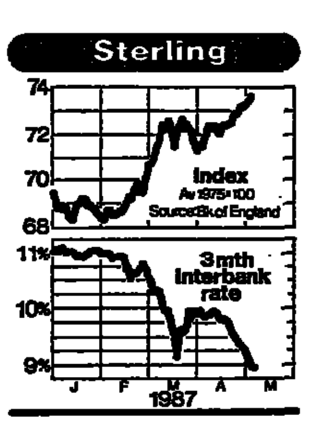
The Bank's sales of sterling yesterday, primarily against the dollar, succeeded in slowing the pound's rise but it still ended higher against a basket of currencies at 73.7 compared with Tuesday's closing 73.5.

It is thought that the authorities were particularly reluctant to sanction a base rate cut before today's nationwide local elections.

The Bank's caution appears to be partly out of concern that sterling could come under pressure if the poll results were seen to be disappointing for the Conservative Government.

However, there also seems to have been a desire to avoid the charge of allowing a politically inspired base rate cut before today's poll.

The Bank also appears keen that it should be seen to handle pressure for lower interest rates in a controlled and prudent manner and that the international investment community is assured that rate cuts are sustainable.



rent US Treasury quarterly refunding amid concerns about the scale of Japanese participation.

In London, it closed slightly higher at DM 1.7725 compared with Tuesday's closing DM 1.7690 and at Y139.15 after Y138.70.

It was helped against the yen after Mr Satoshi Sumita, Japan's central bank governor, said that the US and Japan had last week decided to co-operate to stop even a gradual rise in the yen against the US currency.

The dollar edged higher against the D-Mark as the West German currency weakened slightly in response to poor industrial production figures for March.

The D-Mark was also undermined by widespread speculation that the Bundesbank's policymaking council, which meets today, will lower the interest rate on its regular security repurchase pacts.

In London, the pound closed slightly lower at $1.6650 compared with Tuesday's closing $1.6685 and unchanged at DM 2.9675.

Meanwhile, the dollar had a rather uneventful European session as focus remained squarely on the cur-

UK 'committed to nuclear defence'

BY DAVID BUCHAN, DEFENCE CORRESPONDENT, IN LONDON

THE British Government yesterday reaffirmed its commitment to nuclear weapons, but said that financial constraints would lead to difficult choices in defence priorities.

In its 1987 defence white paper (policy document), which is expected to form the basis of the Conservative's electoral platform on defence, the Government made clear that the choices would be left until after the next election.

While being highly specific on the need for the UK, and Nato as a whole, to retain nuclear weapons, the white paper is almost wholly uninformative on the future procurement of conventional weapons.

The one significant policy shift concerns government funding of defence research and development, which is to be scrutinised more carefully and dovetailed more with allied research efforts so that, over time, more state money can be released for civil research. However, in 1987–88 the R & D share only falls fractionally to 12.4 per cent of the £18.78bn ($31.5bn) defence budget.

Despite the white paper's caution that the planned 5 per cent decline in real terms in the next two years would cause "difficult choices," Government ministers say they see no need for a fundamental defence review, before or after an election. However, the opposition claimed the growing mismatch between defence, resources and commitments now made such a review inevitable, and both Labour and Alliance parties said the Trident nuclear submarine system should be axed to close the financial gap.

The prominent support which the white paper gives both the UK Trident programme and Nato's traditional reliance on a range of nuclear weapons for its deterrent seems motivated by the fact that Trident will be the most controversial defence issue in the forthcoming UK election and the fact that Nato is now faced with sweeping nuclear disarmament proposals from the Soviet Union.

Partnership raises bid for Burlington

BY JAMES BUCHAN IN NEW YORK

MR ASHER Edelman, the New York investor, and Dominion Textile of Canada, yesterday increased their bid for Burlington Industries of the US from $1.63bn to $1.83bn.

The partnership said it held 11.6 per cent of Burlington, the largest US textile company, and was launching a tender offer for the remainder at $67 a share.

Stock in the Greensboro, North Carolina, company rose sharply after the announcement, but Wall Street remained sceptical yesterday that the takeover would succeed.

The partners have apparently secured financing in the form of a bridging loan from Shearson Lehman, the New York investment bank.

Last month, they proposed a negotiated agreement of $60 a share to Burlington's board but ran into fierce resistance. Burlington has launched two lawsuits against the partners and persuaded the North Carolina legislature to push through a bill to make a hostile takeover more difficult. On Tuesday, the company said it might consider taking over Dominion in a defensive ploy known as Pac Man, after a once-fashionable video game.

Burlington shares jumped $4⅝ yesterday to close at $63¼ with the announcement of the tender offer. However, this was still short of the offer price amid doubts about Mr Edelman's will to proceed with a bruising takeover battle.

Analysts said yesterday they believed that Dominion, Canada's largest textile company and about a quarter of Burlington's size, was interested in acquiring Burlington's denim operations, the largest and most profitable part of the company's apparel fabrics business which has otherwise suffered heavy import competition. Burlington last year earned only $57m on sales of $2.8bn.

Last year, Dominion was rebuffed in an attempt to take over Avondale Mills, an Alabama denim maker, and was widely expected to seek another US company.

Venice acts to stem tourist flood

Continued from Page 1

stories waring that the number of daily visitors would be limited to 50,000 and that these would need special "laisser passer" permits, Venice's Counsellor for Tourism yesterday announced a somewhat limper set of measures.

"Physical limitations would have violated one of the basic rights of the Italian constitution," Mr Augusto Salvadori said somewhat brusquely, unable to match his measures of last summer which prohibited the world's youth from bedding down in their sleeping bags in Venetian public places.

Instead, Venice will require all coaches and private cars to prebook their parking space in the Piazza Roma – the main arrival point for road travellers before boarding *vaporetti* for the islands and the lagoon. From June the number of coach arrivals will be limited to 200, while car park accommodation runs into several thousands.

Once a computer has signalled that capacity is exhausted, the causeway will be closed and all vehicles turned back.

A daily limit of 50,000-60,000 people appeared to be Mr Salvadori's aim, although how this could be enforced remains a mystery, given that visitors can continue to arrive freely by train and boat from departure points other than the Piazza Roma.

"This number could be exceeded if we succeed in distributing tourists better around the city. Venice is not just the Rialto and San Marco," Venice's Mayor, Mr Nereo Leroni added.

The overcrowding appears to be most acute on the 10 or so public holidays which occur either side of a weekend. The horrors of a week ago are reflected in the story of a Venetian trying to enter his house from the opposite side of the street. It took him three hours to part the Japanese tourists.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	18	61	Dubrovnik	C	12	54	Malta	F	16	61	Rhodes	C	22	72
Algiers	F	19	66	Edinburgh	C	13	55	Manchester	S	13	55	Rio de J'o	C	32	89
Amsterdam	C	10	50	Faro	S	20	68	Manila	S	37	99	Rome	F	16	61
Athens	S	21	70	Florence	C	17	63	Melbourne	C	16	61	Salzburg	R	8	46
Bahrain	S	43	109	Frankfurt	C	13	55	Mexico City	S	27	81	San Francisco	C	34	93
Bangkok	C	30	86	Funchal	F	22	72	Miami	C	27	81	Seoul	S	20	68
Barcelona	S	16	61	Geneva	C	12	54	Milan	F	15	59	Singapore	R	31	88
Beirut	S	24	75	Gibraltar	S	20	68	Montreal	C	18	64	Stockholm	R	10	50
Belfast	S	12	54	Glasgow	S	15	59	Moscow	F	21	70	Strasbourg	C	10	50
Belgrade	R	13	55	Guernsey	S	13	55	Munich	R	6	43	Sydney	R	20	68
Berlin	C	9	48	Helsinki	F	9	48	Nairobi	C	24	75	Taipei	R	22	72
Biarritz	S	14	57	H. Kong	F	25	77	Naples	F	15	59	Tangier	S	23	73
Bombay	F	31	88	Innsbruck	R	7	45	Nassau	-	—	—	Tel Aviv	S	30	86
Bordeaux	F	16	61	Inverness	C	12	54	New Delhi	C	35	95	Tenerife	F	18	66
Brussels	F	13	55	Islamabad	C	26	79	New York	S	10	50	Tokyo	S	22	72
Budapest	C	22	72	Istanbul	C	24	75	Nice	S	16	61	Toronto	S	9	48
B. Aires	S	21	69	Jakarta	R	32	90	Nicosia	S	30	86	Tunis	C	16	61
Cairo	S	37	99	Jersey	F	14	57	Oporto	S	21	70	Valencia	S	21	70
Cape Town	R	17	63	Jo'burg	S	22	72	Oslo	F	15	59	Venice	R	12	54
Caracas	C	29	84	Lima	S	24	75	Paris	C	13	55	Vienna	C	12	54
Casablanca	S	21	70	Lisbon	S	21	70	Peking	S	26	79	Warsaw	C	12	54
Chicago	C	18	65	London	C	15	59	Prague	F	11	52	Washington	S	11	52
Cologne	C	10	50	Los Angeles	S	33	91	Reykjavik	D	9	48	Zurich	C	7	45
Copenhagen	F	12	54	Luxembourg	F	11	52								
Corfu	F	16	61	Madrid	S	18	68								
Dallas	S	17	63	Majorca	C	17	63								
Dublin	F	13	55	Malaga	S	20	68								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

MI5 inquiry rejected

Continued from Page 1

Implying that he doubted the accuracy of Mr Wright's memoirs, Sir James said he believed there was a direct conflict of evidence between what Mr Wright claimed and what he had been told as Prime Minister by the director general of the security service in 1977.

Mr Neil Kinnock, the Labour leader, claimed that it was "unreasonable, unwise and unjust" of Mrs Thatcher not to make a positive response to Sir James' request.

Responding to a private notice question put down by Mr Kinnock, Mrs Thatcher appeared openly angry at having to react to Sir James' statement. She said that inquiries by the director general of the security service had shown the allegations to be unsubstantiated and that he had given a personal assurance that the stories were false.

Mrs Thatcher said security service officers had denied any knowledge of plans to discredit Mr Harold Wilson (later Lord Wilson) or his Government. Sir Michael Hanley, director general of the security service at the time of the alleged plot, had also said he had no reason to believe that the service had contained a disaffected faction with extreme right-wing views.

Lord Wilson, she added, had never been the subject of a security service investigation or of any form of electronic or other surveillance by the security service.

INTERNATIONAL APPOINTMENTS

Jeumont-Schneider head in major Pechiney job

BY PAUL BETTS IN PARIS

MR JEAN-MARIE FOLZ, the chairman of Jeumont-Schneider, the engineering and telecommunications company controlled by the French Schneider conglomerate, is to take over as managing director at Pechiney, the French nationalised aluminium and metals group.

Mr Folz, who is 40 years old, will effectively become the number two at the nationalised group headed by Mr Jean Gandois who was appointed chairman of Pechiney last summer by the Government.

At Pechiney, Mr Folz will also become a member of the group's executive committee and will head the company's aluminium and advanced materials divisions. He will also be in charge of research and development.

Mr Gandois had indicated a few months ago when he reorganised the management structure of Pechiney that he intended to bring into the nationalised group a senior manager from outside the company. Mr Folz has already worked for Mr Gandois, when the current chairman of Pechiney headed the nationalised Rhone Poulenc chemicals group.

Mr Folz joined Rhone Poulenc in 1978 where he was, before leaving for Jeumont-Schneider, deputy managing director of Rhone-Poulenc's speciality chemicals businesses.

He now joins Pechiney at a time when the nationalised group is in the throes of major restructuring and has just reported a consolidated net loss of FFr 451m ($76m) last year, compared with a profit of FFr 732m the year before. However, the loss last year included FFr 539m of special provisions to cover the group's latest restructuring programme in its French aluminium and ferro-alloy operations.

President for Nynex International

By Our Financial Staff

MR EUGENE A. SEKULOW has been appointed president of Nynex International Company, the offshoot of Nynex, of the US, one of the seven telecommunications companies created by the breaking up of the Bell system in 1984.

Mr Sekulow takes responsibility for establishing Nynex International—which has offices in Geneva and Hong Kong, as well as New York—competitively in the international telecommunications and information systems markets. His appointment, says the company, reflects its commitment to growth overseas.

The new president is the former president of RCA International. Before joining Nynex, Mr Sekulow was involved in Canadian telecommunications.

Nynex has revenues of $11bn a year, and assets of more than $21bn.

Volvo chief joins Pharmacia board

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

MR PEHR GYLLENHAMMAR, chairman and group chief executive of Volvo, Sweden's largest industrial group, is to join the board of Pharmacia, the Swedish biotechnology and

Mr Pehr Gyllenhammar: widening his range of directorships

pharmaceuticals group, and will take over as chairman following the annual meeting on May 19.

Mr Gyllenhammar is a member of several boards both in Sweden and abroad, but this is the first time he has taken on the chairmanship of another company outside the immediate Volvo group.

Volvo owns directly and indirectly some 43.5 per cent of the votes in Pharmacia and some 24.3 per cent of the equity.

It acquired its first stake in Pharmacia in February 1985, and in early 1986 was involved in the controversial and subsequently abortive co-operation deal with Fermenta, the now deeply troubled antibiotics and chemicals company, which was aimed at achieving a broad restructuring of the Swedish pharmaceuticals and biotechnology sector.

Under that agreement Pharmacia would have come under the control of Fermenta, but the deal collapsed only a few weeks after its announcement.

With Volvo's backing Pharmacia has since expanded its operations—without the involvement of Fermenta — in both Sweden and abroad including the takeover of Leo, the medium-sized Swedish drugs company, which was formerly owned by Sonessons, another Volvo affiliate.

Mr Gyllenhammar is already a member of the boards of Atlas-Copco, Skandinaviska Enskilda Banken, and Sila in Sweden, as well as Reuters and Pearson in the UK, United Technologies and Hamilton Oil in the US, and Saga Petroleum in Norway.

ALL NIPPON AIRWAYS' PRESIDENT DIES

Emergency move by Japanese carrier

BY OUR FINANCIAL STAFF

MR AKIO KONDO, 56, has been appointed acting president of All Nippon Airways, Japan's second largest airline, following the death yesterday of pneumonia of Mr Taido Nakamura, 66.

A new president is to be appointed at an extraordinary board meeting to be held once Mr Nakamura's funeral has taken place next Tuesday.

All Nippon Airways has been active mainly in the domestic area, with Japan Air Lines leading the industry in the country on the basis of its international routes. All Nippon has, however, been moving into international operations, in consequence of government deregulation moves.

McDonald's makes international switch

MR JAMES R. CANTALUPO, 43, has been appointed president of McDonald's International, the offshoot of the US-based fast food chain, with effect from June 1.

McDonald's now has 2,150 restaurants in 45 countries outside of the US with annual international sales of nearly $3bn. The company expects to open 500 restaurants this year and about one-third of those are to be in markets outside of the US.

FINANCE MANAGER

c.£35,000 + Car

HANTS

Our client, a market leader in the world of Computer Systems, wishes to strengthen its management team in the U.K. by recruiting a qualified accountant with several years' experience in a senior finance and administration role.

The position will cover a wide range of functions to include providing financial and commercial initiatives which will develop the business finance function and include accounting, contract negotiation, administration, MIS and building services.

This post offers an excellent opportunity to play a major role in the company's development.

To discuss this position further, please contact Giles Daubeney.

INTERNATIONAL REPORTING ACCOUNTANT

c.£26,000 + Car

Our client a leading U.K. Investment Bank is seeking to recruit a confident but diplomatic qualified Accountant to work within Central Financial Control.

The successful applicant will be one of three managers in the group, and will concentrate on International Business. He/She will be responsible for financial accounting matters for fast growing operations currently in New York, Tokyo, Hong Kong and Sydney, with others likely to develop in the future.

To discuss this position further, please contact Philippa Dilley or Robert Digby (who can be contacted outside office hours on 01-870 1896).

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For further information, call:

01-248 8000

Daniel Berry Ext 3456

Emma Cox Ext 3351

David Rhodes Ext 4676

CHIEF ACCOUNTANT

International Banking

c.£28,000 plus banking benefits

Our client is a banking operation in the City owned by two of the largest banking groups in the Nordic countries. It has established a successful presence in the international marketplace. Significant growth has been achieved and the organisation is committed to a programme of continued expansion into new product areas and financial markets.

To strengthen its senior management team the Bank now wishes to recruit a Chief Accountant to be responsible for all elements of financial reporting and control. In addition the role will encompass systems enhancement, strategic planning and financial input into new product development.

The successful candidate will be a qualified accountant with a minimum of four years banking experience gained within the profession or in an international banking environment. An interest in systems development and a working knowledge of a variety of financial instruments is essential. Candidates must be experienced managers who are eager to contribute as a member of a small team. The position offers excellent opportunities to progress into mainstream banking or international finance.

Please write in confidence, quoting reference F2666/2 to Joanna Corr.

KPMG Peat Marwick McLintock.

Executive Selection and Search
9 Creed Lane, London EC4V 5BR

Financial Controller

to £25,000 + Car

Surrey/ Sussex border

Our client is the UK subsidiary of a European based multinational. Small but highly successful, the company is engaged in the development and manufacture of equipment primarily for the oil, gas and petrochemical industries. Product demand is buoyant and turnover will reach £3½m. in this financial year.

The Financial Controller will report directly to the Managing Director and provide a comprehensive service in the areas of management and financial reporting, credit control, investment appraisal and export finance. There will be a particular emphasis on contract costing systems and procedures which will demand a close working relationship with the engineering and sales functions. As a member of the operating board, there will be ample scope to contribute to the strategic direction of the company.

Candidates should be qualified accountants with experience of a senior line accounting role, probably gained in the engineering sector. Personal qualities will include proven analytical skills, an ability to communicate effectively at all levels and the drive to turn ideas into actions.

Please reply in confidence, giving concise career, personal and salary details to:
Brendan Keelan, Ref. ER 927,
Arthur Young Corporate Resourcing,
Citadel House, 5-11 Fetter Lane,
London EC4A 1DH.

Arthur Young Corporate Resourcing

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Financial Director

Household Name/Brand Leader

c £30,000 + car — Glasgow

This £25 million T/o manufacturing Company, part of an exciting and fast growing public group, has more than doubled its profit in a year as a result of major restructuring and rationalisation measures. The priority for the future relates to organic growth designed to double the turnover.

Against this background we are now seeking a qualified accountant who will make a major contribution to the profitability of the company as well as taking control of all financial affairs. Control of working capital and improvement of DP systems will be key areas.

Candidates, aged 30–50, will be intelligent, articulate and highly motivated. They must be able to demonstrate an ability to become involved in the broader aspects of running a business, demonstrate achievement in fast moving consumer goods and should be able to influence management strategy.

Salary is negotiable around £30,000. A quality car is provided plus family medical cover. Relocation expenses and a disturbance allowance will be paid to anyone who has to move into the Glasgow area.

Candidates who meet this specification should write with full c.v. and salary details, quoting Ref AR/115, to:
Brett Bull, March Consulting Group,
March House, 33 King Street,
Manchester M2 6AA.

MARCH CONSULTING GROUP

Financial Manager

Pendastrip UK Ltd

c.£15k + car + profit share — Reading based

Pendastrip, the UK arm of the Swedish company Pendax AB has been established in the UK since 1980. The company offers its own unique solutions to the problems of office presentations, displays and storage, providing a flexible and innovative system for use in the boardroom, office and training room.

An opportunity now exists to join this young and progressive company in a senior role which has substantial targeted management development opportunities. You will be responsible for the day-to-day control of the diverse administrative functions associated with a highly successful operation in a rapidly expanding market.

A qualified accountant with a good understanding of general business principles, you will possess the vision and creativity necessary to contribute successfully to the company's future expansion plans.

The rewards, like the demands, are high. In addition to an excellent basic salary, company car and profit share you will have the opportunity to progress quickly within the management structure and develop a rewarding and satisfying career.

Applicants, male or female, should apply in writing to Nigel Hayter, Mercuri Urval Limited, Spencer House, 29 Grove Hill Road, Harrow, Middlesex HA1 3BN, Telephone 01-863 8466, quoting ref.: 538.

Mercuri Urval

Our tax specialists need vision and drive

We need professionals with a clear view of constantly-changing taxation procedures, in the UK and around the world. And the exceptional drive that's necessary to take the initiative in limiting their impact to an absolute minimum. This is vital to our objective of preserving, and improving upon, our enviable financial efficiency.

As a major transnational organisation, we set ourselves the very highest standards and we need the highest calibre staff to match them. These two positions in our Taxation Section offer the opportunity to use your specialist knowledge to the full, on a worldwide scale, and to make a definite contribution to the future achievements of an exceptionally dynamic company.

Corporate Tax Accountant

£15,500 p.a. - £20,000 p.a.

To add significantly to the business potential of the Tax Department, we require a highly capable qualified accountant, with some 1-2 years' experience and/or an ATII qualification.

The right person will be able to work, with the utmost accuracy, on an exceptionally varied range of projects: preparation of both corporation tax and deferred tax computations for review; preparation of tax adjustments to conform with US GAAP requirements; and assisting in identifying the most tax effective methods of acquisition and disposal of capital assets.

It's important that you have a thorough knowledge of all appropriate legislation, and sound experience of using personal computers in a similar context. You must be prepared to work as part of an ambitious and dedicated team with worldwide responsibility; but most vitally of all, you will have the outstanding analytical and communication skills necessary to make a success of this demanding entrepreneurial role. Ref. MA/87.

VAT Adviser

£13,500 p.a. - £18,000 p.a.

This specialist appointment calls for someone who can contribute, both to the expertise of the Tax Department, and to the airline management's general understanding of the procedures relating to VAT.

Reporting to the Indirect Taxes Manager, but working largely on your own initiative, you will be closely involved in monitoring and advising upon the application of VAT laws both in the UK and internationally, and regulations as to direct financial, cashflow and compliance costs. An important aspect of this will be the responsibility for accurate and timely period reporting to the appropriate authorities of the airline's VAT liabilities.

A very high level of ability is required – as well as having excellent analytical skills, you must be an outstanding communicator and, above all, a diplomat. Sound experience of accountancy procedures – both mechanised and written – is also essential, along with the ability to carry out your own statute and case law research. Ref. MA/85.

Both positions involve work of a very confidential nature, and require candidates with exceptional discretion. It is important that you can maintain an up-to-the-minute knowledge of the legislation involved, and are prepared to work under considerable pressure. Occasional overseas travel may be required.

The salaries, which include Outer London Weighting, will reflect your level of experience, and the range of benefits include profit share, contributory pension scheme and favourable holiday travel opportunities.

To apply, please write, enclosing a full c.v., stating which position you are interested in and quoting the relevant reference number, to Recruitment & Selection, British Airways Plc., "Meadowbank", P.O. Box 59, Hounslow TW5 9QX.

Closing date for initial applications 22nd May, 1987.

BRITISH AIRWAYS

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GROUP FINANCIAL CONTROLLER

N. Home Counties to £40,000 plus car

Our clients are a group of companies in the life assurance sector of the market, with a range of associated financial services; they are expanding rapidly and will be aiming for a public flotation in the near future.

They now seek to recruit a group financial controller to be responsible to the finance director for co-ordinating and developing the financial management group operations and for the strategic planning necessary to secure a successful flotation. Sophisticated computer systems are in wide use.

Applicants, preferably graduate chartered accountants, should have wide experience in the banking, insurance or financial services sector of the market and the personality to make a strong constructive contribution to the strategic development of the group, playing a full part in policy formation. They must have the positive inclination to respond vigorously to this exciting challenge. The salary is negotiable to £40,000 and a car and share options will be on offer.

Providing overall control of the companies within the group will be the central responsibility. However, the appointee will be involved in the development of new avenues of business within their expanding financial services activities.

Please write in confidence, with full career details, quoting reference 3808 to John W. Hills.

KPMG Peat Marwick McLintock

Executive Selection and Search
9 Creed Lane, London EC4V 5BR

Financial Controller

West Midlands **£20,000 plus car**

With turnover now in excess of £100m, this growing Engineering Group of Companies within a major UK Plc is anxious to strengthen its Head Office finance team with a competent controller.

Reporting direct to the Finance Director, the position involves the consolidation, review and investigation of group results and forecasts, a contribution to business planning, systems development and project evaluation, and the supervision of a small head office accounts function.

The candidate will be 28-40 in age, qualified, with experience of a manufacturing environment involving computerised systems development. As a person, the candidate should be analytical in approach, a motivator and an achiever.

This is a first class position with an excellent, growing company involved in a range of technologically advanced products, with substantial overseas interests.

Applications are welcomed from men and women.

Please send full career details including salary progression to John Elliott, Senior Consultant, Overton Management Selection, Monaco House, Bristol Street, Birmingham B5 7AS, or City House, Maid Marian Way, Nottingham, NG1 6BH, or telephone 021-622 3838, or 0602 470249 respectively for an application form, quoting reference 11/1624.

OVERTON MANAGEMENT SELECTION

COMPANY ACCOUNTANT

Join the management team spearheading major retail expansion.

LONDON £24K Car & package

Our client is a well known retail organisation currently with 50 shops in England. Backed by considerable investment they are poised to embark on a dynamic and exciting expansion programme. They now wish to appoint a qualified accountant to join the team leading this development.
There are three key tasks in this challenging position:

* Generate strategic and annual profit and cash flow models, plans and budgets
* Manage the accounting and data processing functions to provide
  - Timely and accurate monthly reporting
  - Prompt and efficient payments and cash control
  - Appropriate regular and ad hoc management information
* Prepare the Company for the next generation of computer systems as present resources become outgrown.

Aged 26-35, you will have the energy and enthusiasm to rise to this exciting challenge and have gained sound financial experience in a fast moving retail/service environment.
All interviews will be held with the client company but in the first instance please telephone Victoria Phillpot on

01-405 9126

PLANNED PRE-SELECTION SERVICES
51-53 GRAY'S INN ROAD LONDON WC1X 8PP

SENIOR FINANCIAL ROLE FOR YOUNG ACCOUNTANT

IN THE OIL INDUSTRY

Cheshire **Excellent package including car.**

Our Client, Elf Oil (GB) Ltd is a major business operating in the refining, marketing and distribution of fuels and lubricants that are sold in both the retail and industrial sectors. It has a £400M turnover, is part of a much larger UK Group Company which in turn is owned by the French multinational energy group Elf Aquitaine that has worldwide operations.

An opportunity has arisen for a highly ambitious, and enthusiastic accountant to join the senior accounting team.

Your brief will be to introduce more sophistication into management reporting with particular emphasis on financial analysis and interpretation for senior management and the various divisions throughout the Company; and with the opportunity to contribute to the Company's strategic planning process. You will be strongly involved in the development of computer systems to achieve this goal. Within your control will be the budgeting, treasury and general accounting functions which form a major part of a sizeable finance department. You will also liaise closely with other senior managers to successfully contribute in your role.

This is an exciting, fast-moving environment that requires you to be quick thinking, positive and enthusiastic. In your late 20's/early 30's you will be a qualified accountant preferably a graduate, have commercial acumen and the potential to contribute quickly.

Conditions of employment and opportunities for development are excellent, in view of the fact that the Company is part of a group operating worldwide. Relocation expenses will be paid to this attractive and popular part of Cheshire.

Please contact Lawrence Barnett or Sharon Rowland at our Manchester office quoting ref.M657

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31-33 Dale Street,
Liverpool L2 2HF
Tel: 051-236 9373

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For further information, call:
01-248 8000

Daniel Berry
Ext 3456

Emma Cox
Ext 3351

David Rhodes
Ext 4676

MANAGER–FINANCIAL CONTROL

International Banking

to £35,000 plus car and full package

We are acting for the London branch of a major European bank. The branch is expanding its activities in capital markets to complement its highly successful commercial lending and treasury departments.

Continued growth has created the requirement for a high calibre financial manager who will spearhead the development of sophisticated systems to cater for the demands of the rapidly developing business. The role will also exercise management control over the financial and accounting operations of the branch, and reports to the General Manager.

The appointee will be a qualified accountant with specialised experience of bank accounting and information systems gained either in the City or within a major professional practice. Key attributes will include highly developed communication, staff management and decision-making skills.

Salary is negotiable and full banking benefits will be provided.

Please write in confidence, quoting reference C6998 to Jane Woodward.

KPMG Peat Marwick McLintock

Executive Selection and Search
9 Creed Lane, London EC4V 5BR

INVESTMENT BANKING

New Qual ACAs **c£30K**

Move from the Profession to the heart of the New Financial Markets.

Our client, a major international investment banking group, seeks young, newly qualified accountants to join their recently established securities teams.

The individuals should display above average qualities in the following areas:
• Ambition • Flexibility • Ability to learn quickly • Willingness to take on responsibility • Interpersonal skills • Technical skills (preferably with some exposure to the financial sector)

Initial responsibilities will include monitoring the risk and profitability of trading positions, development of products and ad hoc projects. This will entail constant liaison with trading staff and board members.

The positions offer exciting opportunities to develop a career away from run of the mill financial accounting at a time of significant changes in London's financial markets.

Interested candidates should contact Suzie Mumme on 01-248-3653 (0932-220151 evenings/weekends) or write, enclosing a detailed curriculum vitae. All applications will be treated in the strictest confidence.

60, Cheapside, London EC2V 6AX

BBM ASSOCIATES

Telephone: 01-248 3653

CONSULTANTS IN RECRUITMENT

TARGET GROUP PLC

Investment Information Manager

Central London Competitive Salary + car + benefits

The Target Group is a progressive rapidly expanding financial services company, and a respected name in the field of pensions, unit trusts and life assurance with an outstanding growth record over recent years.

An immediate principal objective of its Investment Management Division is to ensure that both overall and individual fund performance is second to none, and to help meet this goal, it is essential to maintain and improve the supply of top quality, speedy and accurate information. It is also vital to provide first class financial and management information for all the unit trusts and some life funds managed by the Investment Management Division. To help meet both these aims, the position of Investment Information Manager has been created.

The role will entail considerable administrative responsibilities and will require total commitment towards a highly responsive and efficient back office service.

Female or male graduate calibre candidates should be aged over 25, professionally qualified and/or with equivalent experience in a similar field, and should be able to demonstrate a successful progressive career in the Securities or Financial Services industry. Previous involvement with the installation and administration of computerised systems, securities management and legal documentation would be an advantage.

It is essential that candidates have considerable management abilities, be decisive and in particular possess the ability to motivate subordinates and to develop a high degree of team spirit.

Career prospects are excellent. Car, profit share, medical insurance and relocation expenses where appropriate are part of the very attractive package on offer.

Please apply enclosing a detailed CV to:
Philip Guy, at the address below quoting ref: 1450/PG. PA Personnel Services, Hyde Park House, 60a, Knightsbridge, London SW1X 7LE. Telephone: 01-235 6060.

TARGET
TARGET GROUP PLC

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Group Accounting Manager

c.£24,000

East of Scotland

to join the small corporate team at the centre of a large well known Scottish based international group which continues to enjoy sustained profit growth. Turnover is derived primarily from the service sector.

The main thrust of the role will be the direction and control of production of consolidated monthly and statutory accounts and liaison with accountants throughout the operating divisions.

The requirement is for a qualified CA with a high level of technical competence. A record of successful financial management in a demanding environment is essential, probably in a medium group context.

Age: 30-40 Location: East of Scotland

Salary: Around £24,000 plus car and other generous benefits.

Please reply in confidence to Ken Paterson as adviser to the group.
Arthur Young Corporate Resourcing, 17 Abercromby Place, Edinburgh EH3 6LT

Arthur Young Corporate Resourcing
A MEMBER OF ARTHUR YOUNG INTERNATIONAL

OUT OF LINE INTO CONSULTANCY

Touche Ross
Management Consultants

LONDON **TO £35,000 + CAR**

Touche Ross is the fastest growing established management consultancy practice in the UK. Their continuing expansion is based upon the range and high quality of services provided by their top-calibre consultants. This sustained growth has resulted in the need to recruit, in particular, experienced accountants for the Business Management Group.

You will be aged between 30 and 40 and be either a graduate ACA or ACMA. You will have been in a line position for a minimum of 3-4 years and have gained good general management experience. You will possess the personal skills required to work with senior managers within client organisations on wide ranging issues and to lead a team of consultants. You will want the constant challenge and diversity which consultancy offers.

Touche Ross will offer you a highly stimulating professional environment with exceptional prospects for advancement to partnership within 4 years.

If you are interested in a career as a management consultant please either send a complete CV to Nick Baker FCA at Harrison Willis, Cardinal House, 39-40 Albemarle Street, London W1X 3FD or telephone him on 01-629 4463. We will, of course, ensure strict confidentiality.

HARRISON WILLIS

Cardinal House, 39/40 Albemarle Street, London W1X 3FD. Telephone 01-629 4463.
Fax: 01-491 4705. Telex: 267027 PLACIN G.

Financial Director

Northern Home Counties
c.£40,000 + benefits

This challenging new appointment has been created as a result of sustained growth by acquisition during the past eighteen months. Our client, leader in the UK wholesale distribution market for DIY, gardening, housewares and decorative products now wishes to strengthen the direction of their financial and information technology functions.

Supported by two functional directors, with responsibility for finance and systems & procedures, prime responsibilities will include the integration of finance and accountancy, internal audit, information technology, management services and group secretarial activities. Working closely with the managing director and external advisors the appointee will take a key role in identifying growth opportunities for the group.

An attractive remuneration package, including performance related profit sharing and executive car, will be negotiated for a chartered accountant in their late 30's or 40's who can demonstrate significant achievement in their career to date. Relocation assistance is available.

Please write, quoting MCS 206, enclosing curriculum vitae and current remuneration details to Stephen Carter at
Price Waterhouse
Management Consultants
York House, York Street
Manchester M2 4WS

Price Waterhouse

THE BOC GROUP

CORPORATE FINANCE

Excellent Package

BOC is one of Britain's largest international companies operating in fifty countries worldwide. In recent years the company has enjoyed a period of unprecedented growth; this expansion being achieved both organically and through acquisition. The company has a turnover of approx. £2billion and is a world leader in industrial gases and health care.

The company is seeking a high calibre financial manager to join its Corporate Finance team. You will be working at the Group centre in an extremely challenging and stimulating environment. Responsibilities will include acquisition/investment evaluation, financial structuring studies, business analysis and forecasting as well as special project work with operating units. Problems are diverse and complex requiring innovative thought and solutions. Close collaboration is required with the businesses located throughout the world and the Group planning, tax and treasury functions.

Suitable candidates are likely to be in their mid-late 20's and will be commercially minded with experience in a demanding business environment, and have the personal skills to make recommendations to management at Chief Executive and Board level. Applicants should have a good honours degree, preferably in a numerate subject. A formal accounting qualification or an MBA is essential.

The position is based in the Group's Corporate Headquarters in Windlesham, an attractive Surrey village close to the M25 and M3.

Please apply directly to Jeff Grout at Robert Half Personnel, Roman House, Wood Street, London EC2Y 5BA. Telephone: 01-638 5191, evenings 01-948 4712.

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RECENTLY QUALIFIED ACCOUNTANT

International Property Company

London c.£20,000 + car + fringe benefits

Following internal promotion, a new position has been created to assist the Finance Manager within the corporate finance section of this expanding publicly-quoted property company.

The new position of Management Audit Manager will involve planning and implementing reviews of the organisation's activities, both in the UK and overseas, to ensure that they are running as economically and efficiently as possible. The incumbent will need to discuss findings and recommendations with departmental heads and Board members.

Candidates should be qualified accountants with audit experience gained either in public practice or commerce, with a knowledge of and interest in computer systems and procedures. They must be adaptable to a variety of situations, and be able to demonstrate that they have the ability to deal with people at all levels, communication skills, both oral and written, are expected to be excellent.

Please write in confidence, quoting ref M4282/2 to Jane Woodward.

KPMG Peat Marwick McLintock
Executive Selection and Search
9 Creed Lane, London EC4V 5BR.

Assistant Director of Finance

SIB

City **£30,000 plus car**

The Securities and Investments Board is a unique body which, although a private company, is preparing to have substantial regulatory powers under the new Financial Services Act. The appointment of an Assistant Director of Finance is an exciting opportunity for a high calibre qualified accountant to play an important role at the heart of the financial services industry in a new high profile organisation.

The successful candidate will report to the Director of Finance and will deputise for him when necessary. The position will entail responsibility for the finance department including six staff. It will include a high level of development work including computerised accounting systems and effective management reporting.

Candidates should have excellent technical experience and an understanding of, if not a background in, the securities industry. Experience of managing a professionally run finance department will be essential. Personal qualities will include first rate communication skills, maturity and strength of character to establish credibility at all levels. A practical approach and capacity for hard work will be vital.

If you believe that you meet these requirements, please write – in confidence – to Nigel Bates FCA ref. B.34005.

MSL International (UK) Ltd, 52 Grosvenor Gardens, London SW1W 0AW.

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FINANCE DIRECTOR

ASHFORD, KENT

Salary £25-30,000 + Car + Relocation Expenses

This international company is the world's leading research, design and manufacturer of client specific immunodiagnostic equipment.

Working at the forefront of technology it has an impressive profit record and reputation achieved as a result of its professional approach and past success. It has experienced substantial growth and future plans are impressive.

The successful candidate will enjoy a high level of responsibility in a far reaching role involving the broader management issues of running a business; working closely with the Managing Director and the other members of the board. The position will require you to travel to the USA and Europe where the company operates very successfully.

The ideal candidate will have a science degree, be a qualified ACA, MBA and have relevant commercial experience. Aged to 35 you will have an outgoing personality as you will be involved in entertaining clients at all levels.

*For further details of this position, contact **Graham Pallery-Smith** or **Hansa Savjani** on **01-629 4463** (or **01-697 6811/01-889 8892** at evenings and weekends). Alternatively write enclosing a comprehensive career history quoting Ref: HS 281.*

HARRISON WILLIS
FINANCIAL RECRUITMENT CONSULTANTS

CARDINAL HOUSE, 39-40 ALBEMARLE ST., LONDON W1X 3FD. TEL: 01-629 4463.

FINANCE MANAGER

FOR GRANT MAKING CHARITABLE TRUST

West London

One of the larger Charitable Trusts, making grants in excess of £8 million per annum, has recently reorganised and expanded its administrative structure.

The Trust now wishes to appoint a Finance Manager, reporting to the Director. Responsibilities will include:

* Researching, investigating and monitoring of projects.
* Managing the accounting and information systems.
* Cash control.
* Administration of staff salaries.
* Providing financial advice on charities' accounts and the viability of new schemes.
* Liaison with Investment Managers.

The ideal candidate will be an ACA or ACCA aged 27-40 and probably from a business background. He/she will have a good commercial understanding, imagination and an interest in the voluntary sector.

Salary range: £23-27,500 with personal pension plan.

Please apply in confidence to Peter Harvey:

IAN WILLIS ASSOCIATES LTD.
Executive Search Consultants
16 Regency Street, London SW1P 4DB.
Tel: 01-821 6548.

Financial Accountant

Capital Markets

A wholly-owned subsidiary of the Long-Term Credit Bank of Japan Limited, LTCB International specialises in the underwriting and distribution of securities, trading across a variety of international capital markets. Rapid expansion of our operation has created an opening within our accounting area for a recently qualified ACA with Big-Eight background, ideally combined with audit experience in banking and capital markets.

In a new position, you will have responsibility for the financial accounting function, Head Office returns and Bank of England reporting, as well as the development of internal controls and procedures. The ability to communicate with dealers and senior management is therefore essential.

Representing an ideal opportunity to join a fast-expanding financial control function, the importance of this rôle will be reflected by an attractive remuneration package and a generous range of banking benefits.

Initially, please write to: Vivien Karam, Personnel Department, LTCB International Limited, 5th Floor, 18 King William Street, London EC4N 7BR.

LTCB

Profile Management Search

GROUP FINANCE DIRECTOR

HOUSE BUILDING

C.£30,000 + Car + Group Benefits

Our client, based in the Midlands, is a property development group with rapidly growing house building interests on a national scale and with a current turnover around £25m.

They now require a commercially orientated Group Finance Director with strong financial and management accounting experience in the house building industry. The successful candidate is likely to be 35-50 years of age and will have the personality, as well as the financial acumen, to advise a strong and entrepreneurial Board of Directors.

This is an exceptional opportunity for a first class financial executive and the remuneration package and where necessary relocation costs, will be negotiated to suit the successful candidate.

Please apply in confidence with full c.v. and current salary, quoting reference GFW/11, to:

PROFILE MANAGEMENT SEARCH
Tabard Chambers, 53 Northgate Street, Gloucester GL1 2AJ.

FINANCIAL CONTROLLER

W. London c.£25,000+car

Our client is a wholly owned subsidiary of one of the longest established and most prestigious French fragrance and cosmetic houses. It has manufactured and distributed products in the UK for more than 50 years.

A Financial Controller is required to join a small, senior management team working closely with the Managing Director. In addition to responsibility for all accounting, finance and company secretarial functions, the person appointed will also be involved in the further enhancement of computerised systems based on a System 36.

Candidates must be qualified accountants, young, enthusiastic and innovative and keen to assume a broad ranging financial role. A minimum of 2 years post qualification experience is required, ideally gained in a marketing orientated environment; however, candidates from a professional firm who have varied experience and have developed managerial skills will also be considered.

This appointment represents an opportunity to make a very real contribution to the growth and profitability of the company.

Please write in confidence, quoting reference G3786/L, to Valerie Fairbank.

KPMG Peat Marwick McLintock

Executive Selection and Search
9 Creed Lane, London EC4V 5BR.

Ambitious Accountant with Commercial Flair

Finance Director

Fund Management *£30-40,000 + car*

This dynamic fund management company is expanding rapidly. Growth, diversification, and the increasingly international nature of the business require that an energetic Finance Director is now recruited to join the small management team.

Key responsibilities will include: evaluating and monitoring investments, liaising with banks, participating in acquisition and disposal negotiations, and overseeing the finance department. The person appointed will also work closely with the Managing Director in a problem-solving and trouble-shooting role.

Candidates should be Chartered Accountants aged 28 to 35, and will have gained excellent commercial experience, probably in a corporate finance or similar role. Personal qualities are critical: energy, flexibility, intellectual sharpness and entrepreneurial flair are essential.

The scope for success and personal growth is enormous. In addition to salary and a generous benefits package, the potential for reward is considerable – subject, of course, to performance. Substantial travel from the West End head office will be involved.

Please reply in confidence to Basil Miller, quoting reference 1756/FT on both envelope and letter.

Deloitte Haskins+Sells
Management Consultancy Division
P.O. Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL

Finance Director Designate

SYSTEM OFFICES

Manufacturing or Construction Background

Warwickshire : c.£20,000 + Bonus + Car

This new appointment will play a key part in the continuing growth and development plans of System Offices, a small but highly successful and profitable private group; turnover is fast approaching eight figures. The prime requirement will be the leadership and motivation of the financial department, ensuring its capabilities are projected throughout the organisation and thus capitalised upon in support of overall corporate objectives.

Candidates, professionally qualified and aged around 30 to 40, must have several years post-qualification experience in a financial line role within manufacturing or construction industry. In joining an established management team as Financial Manager, the successful applicant must gain respect as a key member by actions rather than status. Success will result in promotion to Finance Director within two years.

Salary as indicated; profit related bonus; 2 litre car; other benefits including relocation assistance to a delightful area, where appropriate.

Please write – in confidence – to: Andrew Russell, Ref. B.76494.

MSL International (UK) Ltd, 12th Floor, Centre City Tower, 7 Hill Street, Birmingham B5 4UA.

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MSL International
Executive Search and Selection

CHIEF ACCOUNTANT

CITY

c£40,000 package

With a global trading presence, employing assets in excess of £1bn, Swiss Bank Corporation International (SBCI) is recognised as a significant force within investment banking. The bank enjoys a leading reputation as an international underwriter, and, within the last six months, has established a commanding presence in Far Eastern equities. The bank's strength in European equities will be substantially reinforced by its forthcoming acquisition of Savory Milln.

The need to appoint a Chief Accountant is dictated by the dramatic expansion of SBCI, and is part of our client's commitment to an extensive systems development programme which will enhance the effectiveness of management control. This newly created position will involve managing a team of twelve staff, monitoring performance and developing new financial reporting systems.

This is an exceptional opportunity to be involved at the forefront of change within a prestigious organisation. To be considered you will probably be an ACA, ideally aged 30-35, with demonstrable leadership skills and preferably a financial services sector background.

Write or telephone Sarah Wainman of Management Personnel, Consultants for this appointment, quoting ref: CG0430.

Management Personnel, 10 Finsbury Square, London EC2A 1AD
TELEPHONE: 01-256 5041 (out of hours 01-981 5963)

Swiss Bank Corporation International Limited

Financial Controller

Stockbroking

Birmingham **negotiable**

Albert E. Sharp & Co, one of the leading and most influential stockbroking firms outside London, is continuing to expand its activities with considerable success, and in order to maintain its momentum now wishes to appoint an additional team member to take a major role in the control of the internal finance and administrative function of the partnership.

Candidates, male or female, should be chartered accountants aged between 26 and 35. Graduates would be preferred, and some experience gained in industry or commerce would be an advantage. The personal characteristics necessary to succeed within a wide range of corporate and private clients are equally important.

The salary package is open for negotiation and should appeal to those already earning up to £22,000 per annum. In addition there will be the normal benefits associated with a business of such stature.

Please write in confidence, initially with brief details, and quoting reference 1707 to Keith Phillips, as Advisor to the firm, at:

Deven Anderson & Associates
(Incorporating John Anderson & Associates)
Executive Search & Selection
Berwick House, 35 Livery Street
Birmingham B3 2BP

BIRMINGHAM · LONDON · NEW YORK · LOS ANGELES · NEW JERSEY

ASSISTANT TREASURER

who can handle high finance

Starting with circa £24,000 + Car

The National Home Loans Corporation is a young, dynamic company which is already enjoying tremendous success in the residential mortgages market.

Our record of growth and profitability is unrivalled — and we have big plans for the future.

We now require the services of an ambitious Assistant Treasurer/Dealer. Your task will be to support both the Divisional Director Treasury and the Deputy Treasurer by taking over the task of dealing on the money market. You will also operate and develop the department's reporting systems and other functions.

This is a key area of the company, where results count. You will possess a professional qualification, 'A' level Maths, and at least two years' experience in a corporate treasury department, banking or accountancy. You will also need the ability to act on your own initiative and apply good, sound judgement.

In return, we offer a good remuneration package and career prospects you would expect from one of the fastest growing names in financial services.

So if you're aged 27-33 and have what it takes to handle high finance, write now with full details of your career and credentials, to: Peter Ward, Personnel Manager, The National Home Loans Corporation plc, St. Catherine's Court, Herbert Road, Solihull B93 3QE.

National HomeLoans

CAPITAL APPOINTMENTS
Sinclair House, 74 Willoughby Lane, London N17 0SF
Telephone 01-808 3050

Financial Services Sector

LONDON – SUBSTANTIAL REMUNERATION PACKAGE

BRIGHT, YOUNG ACA/ACCA

One of the fastest growing Life Assurance companies in Europe seeks an outstanding performer whose personal career plans match its pace.

The company has risen successfully to the challenge of the Big Bang with new products, new services, new business opportunities. It now seeks a new member for its team of proven professionals.

After an induction period at HQ the successful applicant will become the Financial Accountant, reporting directly to the Chief Accountant. As one of a team of specialists, he or she will be totally involved and expected to contribute to corporate development.

Technical strength must be backed by commercial flair and the ability to communicate.

Candidates should write, enclosing a comprehensive CV, to Stephen Maulden-Salmon, quoting Ref 101/FT.

FINANCIAL DIRECTOR (Designate)

Supplying Retail

Northamptonshire **£20,000+car+performance related bonus up to one third of salary**

Triple growth in the last year and projected double growth again by 1988 has led this highly successful company to create this new appointment. Reporting directly to the Managing Director, the successful candidate will be expected to manage the financial affairs of the company, reporting to tight deadlines and developing all systems on a newly installed IBM 36.

Candidates should be able to demonstrate commercial flair, an ability to steer the Company along an accelerating growth path and be ambitious, wishing to share in the benefits of this success.

A young qualified accountant, with sound commercial/industrial experience, the successful candidate will also have knowledge of areas such as retail, distribution or F.M.C.G.

Interested candidates with a successful trackrecord in a fast moving environment, an empathy towards an entrepreneurial approach, wanting to run an expanding business with a view to flotation should write with career details to date and current remuneration to Nicholas C Jenkins quoting reference no. FT0106 at:

QMS Recruitment
Quorn House, 6 Princess Road West
Leicester LE1 6TP

FINANCIAL DIRECTOR DESIGNATE

West Country c.£30,000

We are amongst the leaders in our field, manufacturing cosmetics and make-up which we supply to some of the giants of the High Street, both in the UK and abroad.

The company is highly profitable and expanding and in order to further strengthen our senior management team we wish to appoint a qualified accountant, either Chartered or Certified, to assume responsibility for the financial function in all its aspects. This will include the provision of financial and management information, budgetary control and forecasting and the development of financial strategy.

Candidates are not necessarily expected to have worked in this particular industry, but good post-qualification experience in a manufacturing environment is essential and ideally candidates will be in the age bracket of 35-45.

Applications in writing, accompanied by a personal and career profile, should be sent in the first instance to:

LEIGH CARR
Chartered Accountants
P. Galloway FCA
27/31 Blandford Street, London W1H 3AD

INSTRUMENT RENTALS

FINANCIAL CONTROLLER DIRECTOR DESIGNATE

SLOUGH AREA c. £25K+BENEFITS+CAR

Instrument Rentals (UK) Limited is a subsidiary of US Leasing Inc. and is involved in the short and long-term rental/leasing of electronic equipment. We require a Financial Controller to assume responsibility for all aspects of the company's financial direction.

The successful candidate will be a qualified accountant with a number of years in a service industry environment and aged between 25 and 40. Knowledge of leasing and lease accounting would be useful but experience with US GAAP is an essential.

Reporting to the Director and General Manager it is envisaged that the position will lead to a board appointment.

In the first instance please send curriculum vitae to:

Mrs Karen Young
INSTRUMENT RENTALS (UK) LTD.
Dorcan House, Meadfield Road
Langley, Slough, Berkshire SL3 8AL
Tel: 0753 44878

هكذا من الأصل

NORTH BRITISH MARITIME GROUP LTD

GROUP FINANCE DIRECTOR

Applications are invited for the position of Group Finance Director

to this substantial group of companies trading mainly in the maritime field; with strong national and international connections. Current turnover is in excess of £55m but there are significant plans for future development.

Applications are invited from those with experience at a senior level who can demonstrate financial ability and commercial flair. A thorough and practical understanding of the whole spectrum of financial control including the use of computers which will be necessary to enable the candidate to assume the responsibilities of this appointment.

Salary in the region of £30,000 depending on experience, plus car and other normal benefits.

Relocation expenses to Hull area will be paid.

Applicants must be fully qualified and preferably between 30 and 40 years of age (M/F).

Please write in confidence to:—
The Chief Executive, North British Maritime Group Ltd, Boston House, St. Andrew's Dock, HULL HU3 4PR.

FINANCIAL CONTROLLER

AN EXCITING OPPORTUNITY IN SPORT, THEATRE AND SHOW BUSINESS

Package c. £17,500 per annum

Britain's market leader in personalised corporate hospitality at major sporting events requires a FINANCIAL CONTROLLER. This is a unique opportunity in a dynamic environment.

Apply to:
Chris Bruton, Chairman
THE CAVENDISH CONSULTANCY LTD.
161-169 Uxbridge, Road, Ealing
London W13 9AU

Closing Date for Applications 22 May

Financial Controller

...a successful manufacturing company

North West London **c£28,000 + Car**

Our client, part of a diversified international group, is a successful manufacturing company with sales in excess of £100 million from several locations.

The important position of Financial Controller is newly created and will entail responsibility for 18 staff including several qualified accountants. The emphasis is on management accounting and factory accounting which together comprise the nucleus of the highly computerised reporting structure of the Company.

The successful candidate will be a qualified accountant, preferably chartered, who must have strong industrial experience in a demanding, manufacturing organisation. A practical, 'shirt sleeves' approach will be essential, along with the ability to combine day-to-day involvement with a longer-term view. You will be aged 30-40 with demonstrable man-management skills and must be able to show potential for promotion in the medium-term.

If you are interested in this position and are prepared to commit yourself to the continued success of the company then send your curriculum vitae and telephone number to Jon Anderson ACMA, Executive Division, at 39-41 Parker Street, London WC2B 5LH, quoting ref no: 408.

MP
Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Financial Director Designate

Manchester
up to £30,000
+ bonus + car

A privately owned company, turnover around £75m has recently completed a major acquisition which will compliment their activities in ferrous and non-ferrous metal. Consequently they now wish to appoint a financial director designate to control the financial function and actively participate in the general management of the business.

The enlarged operation requires the enhancement of management information and a short term priority will be to implement a strategy for common accounting systems, procedures and controls.

This is a challenging opportunity for a commercially aware qualified accountant, age 30-45 with a practical "hands on" approach with the ability to formulate plans, appraise options and implement decisions to support corporate objectives.

Remuneration is negotiable and benefits include executive car, performance related bonus, contributory pension, BUPA, and, if appropriate, relocation assistance. An ambitious person can expect appointment to the board of directors within 12 months.

Please write, quoting MCS 205, enclosing current remuneration and curriculum vitae to Stephen Carter at:
Executive Selection Division
Price Waterhouse
Management Consultants
York House, York Street
Manchester M2 4WS

Price Waterhouse

SOTHEBY'S

FOUNDED 1744

Assistant Financial Controller

New Bond Street **£Negotiable**

For over two hundred years, Sotheby's have been at the forefront of International Auctioneering. With prestigious offices in New York, London, Geneva and Monte Carlo, they are responsible for movements in the world's finest art and currently have auction sales in excess of £600 million.

In line with the Company's forward strategy they are seeking to strengthen their European Division with the appointment of an Assistant Financial Controller.

Working closely with the Holding Company in New York and respective subsidiaries in Europe, this key position entails responsibility for group financial accounting, east of the Atlantic. There will be participation in the development of management reporting procedures together with the maintenance and development of micro computer systems.

Candidates should be recently qualified Chartered Accountants who possess strong communication skills and can demonstrate a successful track record to date. Regular liaison with local management will involve travel throughout continental Europe.

This is an excellent entry point into an organisation that combines a stimulating creative environment with promotion prospects that extend throughout the entire Group.

Interested applicants should contact Gerald Whiting on 01-831 2000 or write to him, enclosing a comprehensive C.V. at Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH quoting reference 2084.

MP
Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Develop Your Tax Experience in Australia

Are you looking for a challenging and satisfying career move to a country where many U.K. citizens are enjoying an attractive and financially rewarding lifestyle?

Our Australian firm is expanding dramatically, particularly in its taxation services. This environment is creating an unprecedented demand for talented people with a minimum of three years consulting experience in Corporate and International Taxation. In addition, you should be ACA or ATII qualified, or have senior level Inland Revenue experience.

Recent tax reform in Australia, including Imputation and Capital Gains Tax, have created outstanding opportunities for professionals with this experience.

Employment contracts are for 18 to 24 months, or longer if desired. The career paths are exciting and different.

Conditions of employment include:-

- An aggressive salary policy
- Air fare to Australia
- Settling-in assistance, including temporary accommodation on arrival
- Reimbursement of relocation expenses
- Four weeks paid annual leave
- A prestigious office location

Our Australian Partners will be visiting the U.K. towards the end of May, and if you are interested in experiencing the Australian lifestyle by working in Sydney (or any other major Australian city), please direct your applications to:
Caroline Wheeler, Personnel Assistant (Overseas), Arthur Young, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH.

Arthur Young
A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Careers on the Critical Path

City **£17,000 – £30,000 plus banking benefits**

At this point in your line management or professional career, TSB Group plc could provide a crucial step in your progress towards senior management.

The Profit Improvement Unit, which is part of Group Finance, offers people with a proven record of achievement a unique opportunity to enhance and profit from their skills and experience. There are currently three positions available at different levels within the unit.

These are challenging and very stimulating project management roles in which you will contribute to creating change within, and improving the profitability, productivity and effectiveness of the Group's management operations.

You could be involved on a wide range of projects from business development and strategy studies to cost reduction and control exercises. You could be identifying and exploiting areas for improving profits or designing and developing procedures and systems.

You must certainly know how to improve an organisation's financial performance by restructuring, reducing costs, implementing improved management information systems, and making better use of capital. Aged 25–35, with a degree and professional qualification, accounting preferred, you must have pronounced interpersonal, project management and problem-solving abilities.

As well as providing wide-ranging experience in all aspects of projects from feasibility through to completion, these opportunities offer excellent prospects both within Group Finance and beyond. The remuneration package will be linked to the level of appointment and is supported by appropriate banking benefits including mortgage subsidy, car (where appropriate), bonus and non-contributory pension.

To apply, please send a brief cv, in confidence, to
Dana Clark, Ref: PTG/1382/FT,
PA Personnel Services, Hyde Park House,
60a Knightsbridge, London SW1X 7LE.
Tel: 01-235 6060.

TSB GROUP

INTERNATIONAL BANKING

Ambitious Young Financial Accountant

CITY **c£21,000+Banking Benefits**

Our client, a key player in the International Banking field, and part of a large financial services group, is looking for a bright Chartered Accountant to work at manager level within a young, friendly team.

Your responsibilities will include consolidation of all overseas subsidiaries for whom you will be the main focal point in Head Office, developing technical accounting standards and involvement in special projects, whilst also being instrumental in expanding the service function of the department.

You will need to be articulate and confident and enjoy liaising with numerous other departments and subsidiaries as this position will give you a high degree of autonomy and the freedom to enlarge and develop the job in areas that interest you.

If you are interested, please contact Camilla Copp on 01-631 0479 (days) or 01-785 6563 (eves). Alternatively write to her, enclosing your Curriculum Vitae, at Seer Selection Ltd, Marcol House, 293 Regent Street, London W1R 7PD.

Seer Selection
RECRUITMENT CONSULTANTS
SEER

FINANCIAL ACCOUNTING MANAGER

International Securities

Salary to £28,000 + Bonus + Benefits

Our client is a leading US Investment Banking Group with considerable international representation – an organisation that has clearly demonstrated its commitment to further expansion and development in all product areas throughout the world.

Reporting to the Group Financial Controller, you will assume responsibility for Administration Accounting and Management Reporting for all London trading activities. This also involves control of Statutory Accounting, Budgetting, Expenses and Cost allocation, liaison with the firm's external auditors and professional advisors, and the supervision of a small team of staff.

Candidates will be graduate Chartered Accountants with at least two years post qualification experience, and totally familiar with all aspects of modern accounting requirements and the use of computerised systems. They will be self motivated and confident with well developed interpersonal and management skills, and must be able to display the energy, initiative and flair required to meet the continuing challenge that this role will present.

For further information, please write enclosing full career details, or telephone Martin Krajewski in the strictest confidence.

FIRTH ROSS MARTIN ASSOCIATES, WARDGATE HOUSE, 59A LONDON WALL, LONDON EC2M 5TE TELEPHONE 01-6282441

Firth Ross Martin
Financial & Professional Selection Consultants

FINANCIAL CONTROLLER

Underwriting **c£27,500 plus car**

Our client is a well-established, European-owned marine underwriting agency. Business is accepted on behalf of a number of principal insurance companies who are members of the ILU.

This is a new position and the appointee will report to the general manager and be expected to assist in the continuing growth of the business. Responsibilities will include the entire finance and accounting functions and the preparation of statistical reports. There will also be extensive involvement with computerised systems and their further development.

Applicants must be qualified accountants, probably aged 30 to 40, with accounting experience in an underwriting environment. Those preferring to work in a fairly small organisation with an informal atmosphere will find this post particularly attractive.

Please send career details to Mike Gostick at Ernst & Whinney Management Consultants, Becket House, 1 Lambeth Palace Road, London, SE1 7EU quoting reference F/487/G.

E&W Ernst & Whinney

Group Treasurer

Yorkshire **c£35,000 + Car**

Our client is a major, £multi-million turnover, UK plc in the FMCG sector, with major interests in the UK, USA and Europe, operating internationally from its Head Office in Yorkshire.

They wish to appoint a Group Treasurer, who will head a department with responsibility for the management of the Group's funds. Of particular importance are the raising of capital both in the UK and abroad, controlling the flow of funds throughout the Group, assessing the impact of foreign exchange requirements and developing medium to long term funding strategies.

Candidates, aged 30+, will be qualified accountants/bankers, possessing in-depth treasury management experience gained in a diverse international environment, together with a strong track record of commercially-orientated financial control. In addition to the obvious technical requirements, applicants must be able to demonstrate a high degree of maturity and commercial awareness together with well developed communicative and inter-personal skills. Career prospects within the Group are excellent.

Comprehensive relocation facilities are available where appropriate. Interested applicants should write to Stephen J. Broadhurst, quoting ref: L8314, at Michael Page Partnership, Leigh House, 28-32 St. Paul's Street, Leeds LS1 2PX. (Tel: 0532 450212).

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Financial Controller

City/Surrey **£35,000 + Car + Benefits**

Our client is one of the largest international insurance broking groups. Principal activities include both insurance and reinsurance broking with market sector domination in specialist areas.

A financial controller is required to fulfill a key position which entails significant exposure to senior management throughout the group, and will play a major role in the further development of the accounting function.

Key responsibilities will include actively managing a large broking account department, controlling and reporting on cash flow management, foreign currency exposure, control of debtors and creditors, and enhancing management information.

The successful candidate will be a qualified accountant, aged 30-38, assertive, practical, capable of identifying problem areas, taking decisive corrective action and monitoring achievement. Previous staff responsibility is essential as is the ability to communicate at the highest level. Insurance experience is not necessary.

There are early promotion prospects for the successful candidate in this expanding Group.

The position will be initially based in the City of London and will relocate to Surrey in Spring 1988.

Interested applicants should write to Jon Anderson ACMA, Executive Division, enclosing a comprehensive CV and telephone number quoting ref: 406 at 39-41 Parker Street, London WC2B 5LH.

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Finance Director

North East **to £28,000 + Car**

Our client is a profitable, autonomous electronics manufacturing subsidiary of a UK Plc. Its recent record of growth has been outstanding and its ambitious future plans will ensure sustained expansion.

This growth necessitates the appointment of a Finance Director, who will assume full responsibility for finance and data processing to a demanding business environment. In addition to the normal responsibilities the initial brief will include the continued implementation of a fully integrated manufacturing and financial control system, effecting improvements in management of labour and material/inventory costs, cash/treasury control and the provision of comprehensive financial and commercial advice to the Board.

The successful candidate, aged 28-40, will be a qualified accountant (ACA, CACA, CIMA) with in-depth experience of financial management in a related, computerised manufacturing environment. Individuals will be computer literate, able to demonstrate a high degree of commercial awareness in addition to the ability to thrive in a role requiring a direct hands-on approach combined with the ability to influence the overall direction of the business.

Comprehensive relocation facilities are available where appropriate. Interested applicants should write to Stephen J. Broadhurst, quoting ref: L8330 at Michael Page Partnership, Leigh House, 28-32 St Paul's Street, Leeds LS1 2PX. (Tel: 0532 450212).

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Finance Director

W. Yorkshire **c£25,000 + Car + Bonus**

Our client is a dynamic, growth orientated manufacturing subsidiary of a major UK Plc, with a turnover in excess of £30 million. Their products are supplied to both industrial and consumer markets and the company already holds an enviable position in a highly competitive market.

Decentralisation creates the need for a Finance Director to be responsible for all aspects of the finance and data-processing functions with initial emphasis on the rapid development of the company's management information systems. The successful applicant will also be expected to contribute significantly to strategic business planning and the overall commercial management of the business. Long term career prospects are excellent.

Candidates, aged 28-35, should be qualified accountants (CACA, CIMA, ACA) of graduate intellect, who can demonstrate outstanding achievements to date, coupled with strong communication skills and the ability to make an effective contribution to the profitable development of the company.

Relocation facilities are available where appropriate. Interested applicants should write to Stephen J. Broadhurst, quoting ref: L8331, at Michael Page Partnership, Leigh House, 28-32 St. Paul's Street, Leeds LS1 2PX. (Tel: 0532 450212).

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Dynamic Retail Group
Group Tax Manager

West End **to £30,000 + Car + Benefits**

Our client is a well known household name in the retail sector. They have recently undergone a major transformation with new dynamic management developing an aggressive presence within this sector.

They now seek a Group Taxation Manager in their central London head office working as part of a small team reporting to the Group Treasurer. Responsibilities will cover all aspects of corporate financial management reflecting the impact tax considerations can have on commercial decision making.

In addition to routine compliance and tax advisory matters, the successful applicant will be expected to adopt a wider general commercial stance.

The successful candidate will be a graduate ACA qualified with a major firm of accountants. Having specialised in corporate taxation they will now be looking for a high profile commercial challenge in a stimulating environment. An excellent remuneration package is available to the right candidate.

For further information call Jayne Thomas on 01-831 2000 (evenings/weekends 01-348 4278) or write to her at the Taxation Division, Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH.

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Controller

Central London **c£27,500**

Our client, a widely diversified international conglomerate is seeking to recruit a Controller to be based at its office in Central London.

Responsibilities of the position include, monthly management reporting, controlling the management information systems, assisting with tax planning and international consolidations.

The successful applicant will be a qualified accountant and age will not be a limiting factor for the right candidate.

Characteristics must include a strong commercial awareness, excellent communication skills and a flexible, practical and hard-working approach.

Interested candidates should write to **Philip Rice MA, ACMA, Executive Division,** enclosing a comprehensive C.V. and daytime telephone number, **quoting ref: 407 at 39-41 Parker Street, London WC2B 5LH.**

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

EDP AUDITORS – FINANCIAL SERVICES

London **To £25,500 plus banking benefits**

Our client is one of the top ten American banks with assets exceeding $39 billion and a strong profit record.

Further expansion of the London based Europe, Middle East and Africa regional audit function has resulted in vacancies for experienced computer audit staff. The department has a high profile dealing with senior management in all Divisions and has already established a good track record of staff being promoted rapidly within the bank.

Candidates are likely to be working in computer audit in banking, or be in the computer audit function within a major international practice, with banking exposure. Good oral and written communication skills along with a strong but tactful personality are essential requirements for these posts. Some travel within the region and to the United States may be involved.

If you would like to be considered for these positions, please write enclosing a c.v. to **Malcolm Edgell B.Sc., FCA or Colin Vasey B.Sc.** at Douglas Llambias Associates at our London address, **quoting reference no 7632** or for further information, contact either of the above named on **01-836 9501**

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS
DOUGLAS LLAMBIAS
LONDON LIVERPOOL MANCHESTER ABERDEEN EDINBURGH GLASGOW
DOUGLAS LLAMBIAS ASSOCIATES LIMITED, 410 STRAND, LONDON WC2R ONS
TELEPHONE: 01-836 9501

MAJOR PUBLISHING HOUSE

CENTRAL LONDON **£21-£24,000**

One of the UK's leading publishing groups is looking to recruit TWO young, high-calibre, graduate Accountants, aged 24-28.

DIVISIONAL CONTROLLER

Reporting to the Divisional Managing Director, and supervising a staff of six, responsibilities will embrace the financial controls and reporting within the book-publishing and direct-mail divisions. Specifically this will entail the preparation of periodic management and statutory accounts, budgeting and cash-flow statements and control of foreign exchange procedures.

GROUP ACCOUNTANT

Operating at Group level, duties will include the preparation of monthly management and periodic statutory accounts, budgets and cash-flow forecasts. An integral part of the role will be the installation of a Group Procedures Manual necessitating a thorough understanding of accounting principles.

Applicants for these career posts should possess strong communication skills, initiative and the ability to contribute effectively within a high-profile environment.

Prospects for career progression are excellent and interested candidates should write briefly enclosing a comprehensive curriculum vitae or telephone for a Personal History form, in either case quoting Ref: 4885.

RECRUITMENT SELECTION & ADVERTISING
EXECUTIVE CONNECTIONS

BLAGG and JOHNSON Limited

seek to appoint an

ACCOUNTANT

as Assistant to the Finance Director/Secretary

Applicants must be A.C.M.A. and preferably A.C.A.S. as well. Knowledge of computerised accounting and costing systems is essential.

This is a senior appointment, within a salary range of £15,000-£18,000.

Applications, with curriculum vitae, to:

The Company Secretary
BLAGG AND JOHNSON LIMITED
Massey Street, Newark, Notts NG24 1PF

EXECUTIVE JOBS

IF YOU EARN OVER £25,000 PA AND ARE SEEKING A NEW OR BETTER PAID JOB

In the accountancy or financial field our team of consultants, all of whom have had managing director level experience, can help you.

Our successful Executive Action Plan helps you find appointments quickly and discreetly, particularly in the unadvertised vacancy area.

Contact us for an exploratory meeting without obligation. If you are currently abroad ask for our Executive Expat Service.

32 Savile Row, London, W1. Tel: 01-734 3879 (24 hours)

Connaught

FINANCIAL DIRECTOR

c. £25,000 + CAR

The position will appeal to a well qualified and experienced Ford Dealership Accountant with knowledge of the D.A.R.T.S System.

Our client is part of an expanding, well financed group of companies and the appointment has been created resultant of restructuring and reorganisation. In this position, you will not only be expected to manage the financial affairs of the company but also play a major role in the new management team.

Location is North England, the remuneration package is negotiable, c£25,000 plus company car and benefits. Applicants should write with full CV in absolute confidence, or telephone for more information

(0753) 888092

(24 hour answering)

BRIAN SMITH ASSOCIATES
Management Consultants
9A Station Road,
Gerrards Cross
Bucks SL9 8ES

Financial Controller

East Midlands

£25,000 + Car

This client is a highly profitable and acquisitive publishing plc whose commitment to a policy of continuing growth has enabled a doubling of pre-tax profits in the last two years. To achieve this success the company has adopted a style which is both entrepreneurial and decentralised, allowing each operating division real autonomy and control over its own future.

One of the largest divisions, which has doubled its level of activity over the last eighteen months to current t/o of £65m, now seeks to appoint a Financial Controller who will be a key member in the strengthening of the management team.

The role will provide interpretation and review of the operating companies performance alongside the provision of commercial advice and financial guidance including planning, capital expenditure, acquisitions and an on-going systems development. This role will be totally involved in implementing future strategy of the division.

Candidates should be qualified accountants, aged 28/34 with drive and enthusiasm to succeed in a fast moving organisation. First class financial abilities with strong business/commercial awareness are essential.

Please write enclosing a full curriculum vitae quoting ref. 130 to:
Philip Cartwright FCMA,
97 Jermyn Street,
London SW1Y 6JE.

Cartwright Hopkins
FINANCIAL SELECTION AND SEARCH

Financial Controller

to £30,000 including Bonus + Car

City

Our client is a young and exciting financial services company with the backing of a major U.S. market leader. With a strong client base of top financial institutions and a committed investment programme, the company is poised for dramatic growth into the 1990s.

Reporting to the Managing Director, the Financial Controller will be responsible for all aspects of financial control, with an important emphasis on cash control and the development of procedural and information systems essential to keep pace with rapid business growth. Directing and assisting a small team of staff with the day to day activities of the finance function, the individual will also be responsible for operational planning and assist in other aspects of commercial development. A close involvement and understanding of the business is essential for success in the role.

Candidates should be chartered *accountants, aged between 25 and 35, who* can combine good commercial sense with strong financial skills. They will also need the outgoing personality which gets things done in this informal but fast paced business environment.

Please reply in confidence, giving concise career, personal and salary details to:

Sarah Orwin, Ref. ER 928,
Arthur Young Corporate Resourcing,
Citadel House, 5-11 Fetter Lane,
London EC4A 1DH.

Arthur Young Corporate Resourcing
A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Could you account for such success?

Central London

Occidental, one of the largest oil companies in the United States, is also a major North Sea Oil producer with 3 fields under production plus considerable investments and interests in the UK. Throughout our history as a successful and progressive oil company, we have relied on the best of people.

In the UK, financial operations are managed from our Head Office in Central London by a team of skilled and accomplished specialists. We can offer a satisfying career environment to qualified and part qualified Accountants aged up to 45.

Budget & Planning Analysts

Both these vital posts demand the successful evaluation and presentation of information necessary for effective decision making — and call for highly developed commercial skills and a creative, energetic approach.

The first concerns our North Sea operations and in addition to preparing annual plans and monthly reports on various operating statistics you will be preparing 'what if' and 'ad hoc' schedules and scenarios and advising on the implications of changes in our operating procedures.

The other post, which pertains to our Europe/Africa operations, also involves long range forecasting. You will prepare ten year and three year forecasts, analyse previous plans in the light of events and prepare monthly tax and accrual calculations for monthly forecasts and annual plans. Ref: OXY 363.

Capital Budgets Accountant

As the co-ordinator of planned and actual UK capital expenditure, you will be closely involved in Exploration budgets, as well as JV and Corporate capital expenditure requests — preparing and issuing budgets and forecasts accordingly. You will also have an important role to play as London expert on all development and exploration budgeting as well as providing a finance opinion during technical meetings. Ref: OXY 362.

Senior Accountant

Your main roles will be to account for and report on our Canadian affiliates interests in the Netherlands and UK North Sea, and to prepare corporate reports in respect of our Foreign Exchange activities — ensuring they meet FASB statutory requirements. In addition you will co-ordinate with our Canadian affiliate to obtain relevant management and tax information. A range of responsibilities that will make full use of your skills. Ref: OXY 361.

Systems Accountant

As a qualified accountant with a wide knowledge of computerised financial systems gained in a professional or head office environment you should make a major impact on the installation of our new integrated general ledger system. The evolution of that system and representing the varied head office interests will be a major function of this position. Good interpretation and communication skills are therefore essential. In addition there are responsibilities which require a good general appreciation of financial data systems management, whether it be mainframe or PC based. Ref: OXY 364.

Operating Budgets Accountant

Reporting on a monthly/quarterly basis to senior management on a variety of cost control systems and expenditure budgets, you will also help to produce statutory reports to meet Government requirements. Used to working to strict deadlines, you'll be able to bring excellent communication skills and an enthusiastic approach to this challenging role. Experience in the use of PC based spreadsheets would be particularly useful. Ref: OXY 365.

The competitive salaries offered will fully reflect ability and experience and there is an attractive range of benefits. In addition, consideration will be given to relocation assistance where appropriate.

You can get all the details from Paul Ballard or Brigitte Regan-Simpkin at Austin Knight Selection on 01-628 5021 (01-256 8925 evenings/weekends) or send your c.v. to Austin Knight Selection, 17 St. Helen's Place, London EC3A 6AS, quoting the appropriate reference.

OXY

CJA

RECRUITMENT CONSULTANTS GROUP
3 London Wall Buildings, London Wall, London EC2M 5PJ
Tel: 01-588 3588 or 01-588 3576
Telex No. 887374 Fax No. 01-256 8501

Excellent career opportunity with early prospects of increased responsibility and remuneration

YOUNG INVESTMENT MANAGERS — VENTURE CAPITAL

LONDON — £25,000–£35,000 + CAR + MORTGAGE SUBSIDY

LEADING INVESTMENT GROUP – A MAJOR NAME IN VENTURE CAPITAL

For this appointment we seek young (25-28), numerate candidates, ideally qualified accountants with 1-2 years' post-qualification experience working in investigations or corporate finance departments/solicitors with relevant corporate experience/or experience gained in industry. Previous venture capital/management buy-out experience will be an advantage. Working as a member of a small team the successful candidates will carry out the initial investigations and risk assessment of unlisted investments, and from an early stage will have responsibility in structuring the deal. The ability to assess management is critical and an innovative approach and the ability to contribute with the minimum of direction are the qualities we seek. Initial salary is negotiable £25,000-£35,000 + car, mortgage subsidy, non-contributory pension, free life assurance, free BUPA, permanent health insurance and travel subsidy. Applications in strict confidence under reference YIMVC4489/FT to the Managing Director:– CJA

A challenging and interesting appointment with scope to acquire considerably increased knowledge in UK Tax. Prospects also exist to widen responsibilities into International Tax

ALPS

U.K. CORPORATE GROUP TAX SPECIALIST

WEST LONDON — £25,000–£30,000

MAJOR INTERNATIONAL GROUP

Applications are invited from accountants (C.A., A.C.A. or A.C.C.A.) aged 26-35 who have acquired at least 4 years practical corporate tax experience gained either in a large/medium, professional accounting practice or in the corporate tax office of a Commercial or Industrial Group. As part of a team, the successful candidate will control also a small team and be responsible for all U.K. Corporation tax compliance work, including final agreement with the Inland Revenue. Other responsibilities will cover tax provision for year end and budgets, advice on VAT and tax planning generally. The ability to work as part of a flexible, professional team and to communicate lucidly to Managers throughout the Group is important. Initial salary negotiable £25,000-£30,000 + car + non-contributory pension + free life assurance, free family B.U.P.A., assistance with removal expenses if necessary. Applications in strict confidence under reference GTS138/FT, to the Managing Director: ALPS.

CAMPBELL-JOHNSTON ASSOCIATES (MANAGEMENT RECRUITMENT CONSULTANTS) LTD., 3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ
TELEPHONE: 01-588 3588 OR 01-588 3576. TELEX: 887374. FAX: 01-256 8501

ORGANISATIONS REQUIRING ASSISTANCE ON RECRUITMENT – PLEASE TELEPHONE: 01-628 7539

Finance Director

Major Brand Leader — c £27,000 + Car
Consumer Durables — W. Midlands

Our client is a substantial manufacturing division, part of a major British P.L.C. The division is brand leader in a number of household name consumer durable product lines. Sales and profits are currently in excess of plan and exceptional returns on capital are achieved.

A strong Finance Director is required to back the MD and introduce strict disciplines into the accounting function, distribution, stock control and data processing. The successful candidate will be fully responsible for the financial affairs of a number of companies within the division. He/she should be able to exert a clear influence on management strategy, improve profitability and control working capital.

Qualified accountants aged 30-50 must be able to point to a proven track record in the financial control of a marketing led manufacturing operation. They must have a sound understanding of distributing consumer goods to retailers and the associated computer systems and controls.

Benefits package including top quality executive car will match the high calibre individual required. Relocation expenses and disturbance allowance will be available where necessary.

Candidates who meet this specification should write with full c.v. and salary details, quoting Ref AR/116, to: Brett Bull, March Consulting Group, March House, 33 King Street, Manchester M2 6AA.

MARCH
CONSULTING GROUP

Financial Director

Fast growing entrepreneurial group

LONDON

c£40,000 package + car

A record of vigorous growth and healthy profits over the past 5 years provides the springboard for our client's exciting and far reaching development plans.

Led by their entrepreneurial and ambitious founder chairman the group's strategy is to expand their existing publishing, advertising and telecommunications interests, to move into other activities in the communications field and to develop a range of new services with high profit prospects. The group plans a Stock Exchange listing in 1988/9.

The potential is huge but success will be highly dependent on tight financial management. They are therefore seeking a top calibre, commercially astute Financial Director to work closely with the chairman in the development of the group.

You will be heavily involved in strategic financial planning and budgetary control, treasury management, computer-based systems development and above all, you must have the skill and knowledge to evaluate and assist in negotiating potential acquisitions and new business ventures.

You will be a Qualified Accountant, aged around 35-45, with senior line management experience in a successful, fast growing company. *Experience of negotiating finance with City institutions is essential.*

Career prospects are outstanding for someone who can demonstrate high financial management skills and shrewd business awareness. The remuneration package is fully negotiable, including the possibility of share options, and salary will not be a restricting factor in order to *attract someone of the right calibre.*

Please send concise details, including current salary and daytime telephone number, quoting reference N2026, to W S Gilliland, Executive Selection Division,

Grant Thornton
Management Consultants
Fairfax House, Fulwood Place, London WC1V 6DW.

Appointments Advertising

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For further information, call:
01- 248 8000

Daniel Berry
Ext. 3456

Emma Cox
Ext. 3351

David Rhodes
Ext. 4676

FINANCE DIRECTOR

SKI HOLIDAY OPERATING

LONDON — £22,000 + Car + Benefits

Bladon Lines requires a finance director. The company is one of the country's largest ski holiday operators specialising in chalet parties. Two small summer programmes are also operated.

The successful candidate will be a recently qualified A.C.A. who will be required to take control of the company's accounting, reporting and financial controls and for the planning of the company's financial strategy as it grows.

The position demands the ability to take considerable management responsibility immediately and to supervise and motivate an enthusiastic but young team. A knowledge of skiing would be an advantage as the position requires constant involvement with all the departments of the company.

BLADON LINES
The Biggest choice on skis!

Please send detailed C.V. to:-
Mark Lines
Bladon Lines Travel Ltd.
56-58 Putney High Street,
London SW15 1SF

UK Finance Director

Major Advertising Agency

Age 30-35 — c.£35,000+car+benefits.

Our client is a highly successful, major international advertising agency. As a result of a recent internal reorganisation the company is now looking to appoint a Finance Director for the company's UK operations.

Based in London, the role which is supported by an established financial team, will be responsible for all financial matters relating to the company's UK business. This will include financial and management accounting, budgetting, cash flow forecasting, taxation, and the maintenance and development of computer systems.

Reporting to the Managing Director, with functional responsibility to the Director of Finance — Europe, the individual will be a member of the senior management team, and as such will be involved in various ad hoc projects, and will generally be expected to significantly contribute to the overall success of the company.

Candidates are likely to be graduate Chartered Accountants with previous experience of an advertising/client service environment either from working within the industry or as a "manager" within the profession. Individuals should also clearly be able to demonstrate credibility, commercial acumen and flair, together with the ability to relate and communicate to financial and non-financial people alike.

Interested individuals should preferably telephone Peter Flammiger, or write to him enclosing a resume and current salary details, at Financial Management Selection Limited, 21 Cork Street, London W1X 1HB. (Tel: 01-439 6911).

Financial Management Selection
Specialist Search and Selection Consultants

FINANCIAL CONTROLLER

Circa £35k + full package — **Home Counties**

A major company in the financial sector seeks to appoint a Financial Controller for its UK Head Office. The group has shown an impressive growth rate in recent years and boasts an innovative range of financial products.

This high-profile role is an entry point to the group and offers excellent career prospects for those who can demonstrate refined communication skills coupled with commercial flair.

Reporting to the Finance Director your responsibilities will include:

- **Accountability for group finance reporting**
- **Financial planning and corporate development**
- **Systems design and enhancement**
- **Team leadership and motivation**
- **Treasury and cash flow management**

Applicants must be qualified accountants ideally aged between 30-40 with an outstanding track record gained in industry or commerce. A thorough appreciation of the unitised investment funds management industry is highly desirable.

The salary for this senior position is negotiable and the main package elements will include an executive motor car and subsidised mortgage together with relocation assistance as appropriate.

Interested applicants should contact Phillip Price, ACA on 01-488 4114 or write to him quoting ref: 6918 enclosing a full curriculum vitae at Mervyn Hughes International, 63 Mansell Street, London E1 8AN.

MERVYN HUGHES

FINANCIAL CONTROLLER

Investment and Accounting Management

c £30,000 — **London**

One of the most visible and respected organisations in the U.K. our client has developed an impressive and substantial portfolio of major investment interests throughout the world.

Reporting at a senior level, this newly created position will put heavy emphasis on astute management of the company's in-house investment activities and the appraisal of external investment managers and their performance.

There will also be considerable involvement in the strategic control of the organisation's wider financial issues, ensuring that your input has a fundamental influence on the direction my client's activities will take.

A qualified Accountant (preferably FCA), you will already have some experience of fund/investment management.

On a personal level, you will need the communicative skills needed to liaise not only with other managers within the finance division but also with top management of the highest calibre.

You will be working within an office that employs some of the sharpest minds, so you will also need the ability to fit quickly and smoothly into a highly intellectual environment.

An excellent salary is coupled with an excellent range of benefits including BUPA, Non-Contributory Pension, Health Insurance and 30 days holiday.

For more details call Mary Ann Shuldham on (01) 434 0175. Alternatively, send your curriculum vitae to her at the Hamilton Partnership, Hamilton House, 61 Oxford Street, London W1R 1RB.

HAMILTON PARTNERSHIP

Appointments Advertising

£43 per single column centimetre. Premium positions will be charged £52 per single column centimetre

For further information, call:

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Ext 3456

Emma Cox
Ext 3351

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A superb opportunity in a blue chip Electronics Group

Financial Controller

To £30,000 + car + relocation — **Essex**

Our clients are one of the U.K.'s top 50 PLC's and one of the world's leading high technology companies. Group turnover is c£2,000 million and their commitment to growth includes an annual capital spend of over £130 million and expenditure on Research and Development of c£160 million.

This major division within the group is engaged in the design and manufacture of complex communication, information, transmission and marine systems. The division operates from two sites and has an annual turnover of £30-35 million which is forecast to double in the next 3-5 years.

The job holder will play a full part in the overall management of the business and make a significant contribution to growth and the commercial decision-making process. Working closely with the Managing Director, you will manage a department of c25 staff and provide a complete financial management service to the Company. Career prospects are excellent.

Candidates should be commercially aware qualified accountants, probably in their 30's, with line management experience in a substantial manufacturing company. Experience in some of these areas is essential; the electronics industry, project accounting, M.O.D. contracting, contract negotiation, standard costing and systems development.

The substantial benefits package includes a fully expensed company car, pension scheme and private health care. An excellent relocation package is available in appropriate cases.

Please send your career and current salary details, together with a daytime telephone number to Barry C Skates at our Maidenhead office, or telephone him for an informal discussion.

MKA SEARCH INTERNATIONAL LIMITED
MKA House King St. Maidenhead Berks SL6 1EF Telephone: (0628) 75955
Shades House Mealcheapen St Worcester WR1 2DQ Telephone (0905) 612261

London, Maidenhead, Worcester, Leeds — Search, Selection & Training

A rare opportunity for a Young Financial/ Business Manager

Aged 28-32? Ambition to earn £65K by 1989?

You expect to go to the top where you are. But this top consumer-manufacturing appointment, based in the Midlands, might prove even more rewarding in personal and professional terms.

We will be glad to discuss it. Of course, you will need to have an outstanding career record to date. You must have an excellent academic background, demonstrable financial and planning achievements in a business environment, and strong inter-personal skills. You can already justify a salary of £40K plus car and benefits.

To begin to find out more please write, or telephone, in confidence to Donald Macleod, FCA, at JSP Selection Consultants.

JSP Selection Consultants
10 Haymarket London SW1Y 4BP
Telephone 01-930 9090

FINANCIAL CONTROLLER
BANKING

c£30,000 + car, banking benefits and profit share

Our client, a well established City based bank, has overseas shareholders and provides extensive international commercial banking facilities.

The chief executive is seeking a graduate chartered accountant to report directly to him on all financial and accounting matters, to oversee day-to-day accounting operations and to be extensively involved in a wide range of financial investigations and analyses which impact the Bank's business development and profitability.

Preferred applicants for this position will be aged 30 to 35 with a level of controllership experience with another internationally oriented bank or similar institution. Our client wishes to appoint someone who is seeking an active role in financial management which will have a direct impact on the Bank's strategic development and profitability.

Please send brief personal and career details to Douglas G Mizon quoting reference F/477/M at Ernst & Whinney Management Consultants, Becket House, 1 Lambeth Palace Road, London SE1 7EU.

Ernst & Whinney

Accountancy Personnel
Placing Accountants First

FINANCIAL CONTROLLER
– INVESTMENT MANAGEMENT –

LONDON BRIDGE — **£25,000 + (neg) + Car**

Our client is one of the top-performing Investment Managers in the UK with ambitious expansion plans justified by its record of sustained growth. To coincide with their relocation to riverside offices, they are undergoing internal reorganisation and creating a new position of Financial Controller.

For a young computer literate Chartered Accountant with at least two years PQE, this role will be both intellectually challenging and rewarding in its opportunities for personal and career development. Primary responsibilities include:-

* Statutory Accounts * Management Reports
* Liaison with Professional Advisors
* Control of Finance Department
* Systems Development

Although not a pre-requisite, exposure to the securities industry through audit or commercially would be a distinct advantage.

For further information please contact:
Martin Humberstone
Accountancy Personnel,
63-65 Moorgate,
London EC2R 6BH.
Telephone: 01-638 3955
(evening 01-511 6318)

FINANCIAL CONTROLLER

Central London — **£20,000 + Benefits**

We are a rapidly expanding entrepreneurial group of companies with international connections and public intentions.

Our major activities in the U.K. include property development, financial services and running prestigious restaurants in London.

We intend to join the USM within 2 years with at least one of our divisions and now wish to strengthen our management team with a young, dynamic Financial Controller.

Reporting to the Managing Director you will have responsibility for all aspects of financial control and accounting functions within the group, including statutory and management accounts, budgets and cash flow forecasting.

You will be expected to develop the above systems in line with the growth of the group and contribute towards its general advancement. You will be a key participant when we go public.

Candidates will be, ideally, graduate Accountants, around 30, with recent management reporting experience; used to working under pressure and meeting deadlines in a demanding commercial environment.

You should be an achiever with drive, vision and commitment.

This is a career opportunity. The prospects are excellent, join us before we are out of reach.

Send detailed C.V. and current remuneration to:
Managing Director
WILLOWBUSH LIMITED
10a Market Mews, London W1Y 7HG.

parc

ASSISTANT FINANCE OFFICER
Circa £15K + Benefits

Parc is a unique and fast-growing company specialising in marketing and funding the rental of large computer systems.

Due to continuing expansion we are looking for additional experienced people wishing to advance their careers.

The successful applicant will be working with the Treasurer and will be responsible for liaising with banks to obtain funding for rental contracts. He/she is likely to have previous experience in banking/broking/dealing/leasing and be educated to 'A' level or degree standard, possibly with an accountancy qualification.

If you want to join an energetic and expanding company where there are excellent career prospects, write with CV to:
The Administration Manager, PARC LIMITED
30 Eastbourne Terrace, London W2 6LG

Group financial controller

West Yorkshire, c £22,000 + car

This independent group has turnover of £8 million from the manufacture of a unique product with industrial applications and major market opportunities internationally.

In charge of the centralised accounts function, you will report to a Main Board Director and lead the team responsible for performance planning and monitoring, financial and management reporting and company secretarial duties. Systems are computerised but will need further development to cope with planned growth.

Probably under 35, you must be qualified with a basis of solid experience outside the profession, a good grasp of management reporting principles and the energy and enthusiasm to contribute directly towards profitable growth. For the future, there are excellent career prospects.

Please write, enclosing your curriculum vitae and daytime telephone number, to David Owens, Ref D238.

Coopers & Lybrand Executive Selection

Coopers & Lybrand
Executive Selection
Limited

Albion Court 5 Albion Place
Leeds LS1 6JP

Director of Finance

City — **Salary + Benefits c£55,000**

Our client is a major professional partnership with operations both in the City and overseas and has enjoyed substantial growth in recent years. To accommodate its continued planned expansion, the firm requires a Director of Finance to play a crucial role within its management and professional structure.

Reporting to the Managing Partner, his/her responsibilities will cover all aspects of the firm's financial planning and management, which, it is fully recognised, will require the support of up-to-date systems and technology.

Candidates who are likely to be aged between 38-45 and can demonstrate strong personal disciplines, tact and strength of purpose, will be Chartered Accountants with sound commercial experience gained preferably in a large professional or financial services organisation. Good communication skills are essential.

Interested candidates should send a detailed CV including current salary to Don Day FCA, quoting reference LM886 at Spicer and Pegler Associates, Executive Selection, Friary Court, 65 Crutched Friars, London EC3N 2NP.

Spicer and Pegler Associates
Management Services

Appointments Wanted

EXPERIENCED C.F.O./DIRECTOR
N.Y.S.E. COMPANY–US RETAILING

SEEKS CONSULTING, ADVISORY OR SPECIAL PROJECT ASSIGNMENTS IN U.K.
In London May 18-29, 1987
Write Box A0508, Financial Times, 10 Cannon Street, London EC4P 4BY

Finance Manager/Financial Adviser/Consultant

High Calibre U.K. Qualified Arab National with extensive Financial Management experience. Good knowledge of Oil Industry and outstanding record of achievement. Excellent negotiating skills. Seeks interesting position preferably to be based in Europe with travel to Middle East.

COMPANY ACCOUNTANT

SURREY

c£20,000 + car + benefits. Age 30-40

Our client is the UK subsidiary of a major German chemical company. The company has achieved impressive and consistent growth in its ten year history and has positive and ambitious plans for future development.

An opportunity has arisen for a Company Accountant to join the management team and handle all aspects of the company's management and financial accounting. A particular need is for the accountant to be able to provide meaningful management information to the company's decision makers on a regular as well as an ad hoc basis.

The ideal candidate will probably be a qualified accountant, preferably ACMA. Good interpersonal skills are required as the position involves direct contact with customers and the supervision of staff. Familiarity with computerised accounting systems is highly desirable. An ability to speak German would be a distinct advantage but training will be given to a suitable candidate.

Please reply in confidence with full CV and handwritten covering letter to:

B. E. Ayres, Ref W168
MOORES & ROWLAND
50 St. Andrew Street, Hertford SG14 1JA

RECENTLY QUALIFIED ACCOUNTANT

Our client the UK Division of a significant international trading group, seek to recruit a young Qualified Accountant.

Based in their City offices they will determine the effectiveness of the accounting and control activities for this diversified division. Their interests include Investment, insurance broking and transport services. Applicants should demonstrate a sound professional background and the ability to exercise their own initiative.

A good package including car, salary and benefits will be provided. It is envisaged that the successful applicant will be promoted elsewhere in the group within two years of joining. To apply please write to:-

ANTONY DUNLOP
ACCOUNTANCY RECRUITMENT CONSULTANTS
16 JERMYN STREET LONDON SW1Y 6HP
TEL: 01-439 6171 ⊖ PICCADILLY

Deputy Chief Accountant

£20,000 plus benefits **C. London**

International Bank requires a qualified accountant to take control of accounting function.

The successful candidate is likely to be an ACA with one to two years' post-qualification experience, preferably gained in a banking environment. A sound working knowledge of personal computers is essential.

Applications giving full personal and career details should be submitted to the Chief Accountant, Box A0511, Financial Times, 10 Cannon Street, London EC4P 4BY.

Recruitment and Personnel Services

The Financial Times proposes to publish a Survey on Recruitment and Personnel Services on

July 1 1987

Among the subjects to be reviewed will be:—

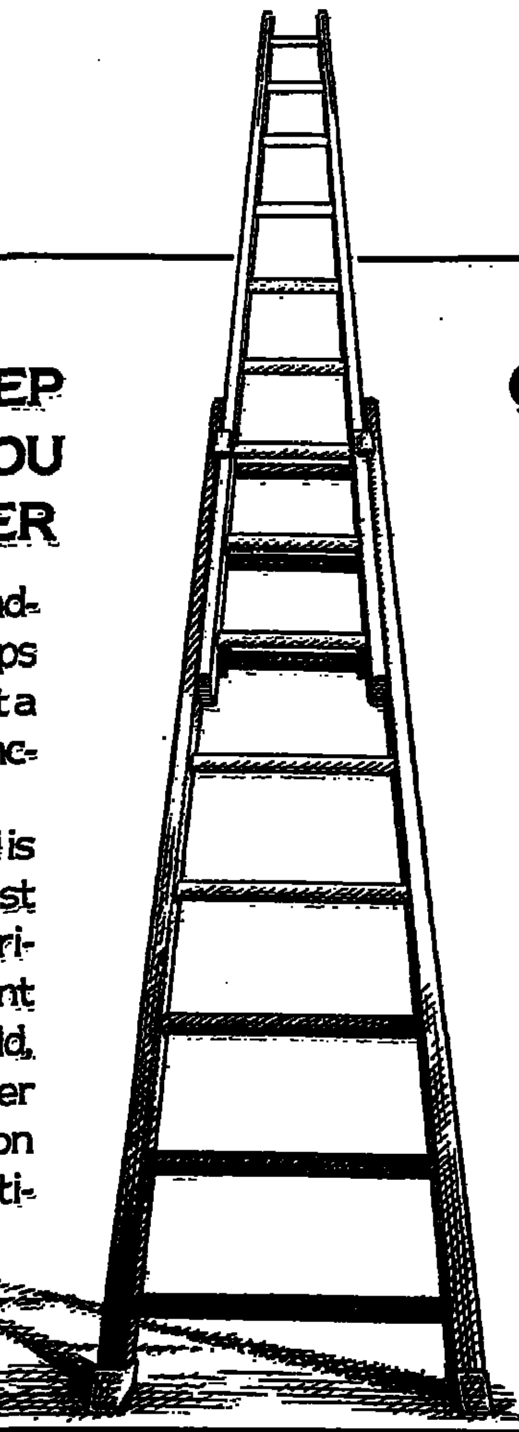
RECRUITMENT CONSULTANCIES
OUTPLACEMENT CONSULTANCIES
REMUNERATION PACKAGES
TESTING METHODS

For more information about advertising in this Survey and a copy of the synopsis, contact:

Louise Hunter
on 01-248 8000 ext 3588
or
01-248 4864

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER
LONDON · FRANKFURT · NEW YORK

YOUR NEXT STEP COULD TAKE YOU A LOT FURTHER



If you are looking to advance your career, perhaps you should be looking at a company which is advancing faster than most.

Fidelity International is one of the oldest, largest and most respected privately owned investment organisations in the world, currently managing over £45 billion worldwide on behalf of private and institutional investors alike.

QUALIFIED ACCOUNTANT (JERSEY)

Excellent Salary Plus Bonus & Benefits

Our Jersey company is now seeking to strengthen its accounting and administration team by appointing a Qualified Accountant.

You should be aged between early 20's and mid 30's, a graduate or graduate calibre with ACA or ACCA/ICSA qualifications. Previous accounting experience in financial services is essential.

Managing a small, but highly professional team, you will play a key role in the smooth running of the Jersey Office.

Your responsibilities will include monitoring the effectiveness of the company's Business Operating Systems on a daily basis. You will also be expected to contribute to the development of these systems, ensuring that adequate controls are established.

In addition, you will manage both the Fund Support and Financial Control functions, and liaise with Investment Managers and the company's external auditors.

This is an excellent opportunity for a person with drive and enthusiasm who is looking to develop a career that has real potential for long-term advancement.

We are offering a generous remuneration package which will include an excellent salary negotiable in line with experience, a substantial performance related bonus and a range of benefits you would expect from a successful company. You will also have the opportunity of international travel.

If you would like to join a dynamic, professional organisation, please write enclosing a C.V. to Gerry Baxter, Human Resources Manager at Fidelity International (C.I.) Limited, 9 Bond Street, St. Helier, Jersey.

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SAN FRANCISCO · SYDNEY · TAIPEI · TOKYO

Fidelity INTERNATIONAL

Hoggett Bowers

Executive Search and Selection Consultants

BIRMINGHAM, BRISTOL, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD and WINDSOR

Group Systems Accountant

London, c £30,000, Car, Benefits

The growth rate of this highly successful systems company is exceptional. It has an excellent track record of securing multi million pound contracts worldwide with major international corporations involved in defence, manufacturing, high technology and financial services. A new position has now been created that will be critical to the future development of the company for a high calibre qualified accountant aged 30+ with a strong practical background in systems. Reporting to the Financial Director, responsibility will be to lead the identification, development and installation of new group management information and accounting systems. Excellent management ability, communication skills and a persuasive personality are essential for this demanding role in this highly professional, assertive company.

Mrs. M. Gould, Hoggett Bowers plc, *1/2 Hanover Street*, LONDON, *W1R 9WB*, 01-734 6852. *Ref: H13007/FT*

Chief Accountant

Blue Chip Group
North West, c £22,000, Executive Car

Promotion has created this opportunity within a £100m turnover fmcg subsidiary of an international blue-chip group. Reporting to the Financial Director, the Chief Accountant, supported by a department of approximately thirty staff, will be responsible for all aspects of financial accounting. Candidates will be qualified accountants, probably under 40, who can demonstrate a successful track record outside the profession and who are familiar with highly computerised accounting systems. This is a demanding role and will only appeal to individuals who respond to tight deadlines, high standards and a high profile role. Promotion prospects within the group are excellent. Benefits, including relocation, are those associated with a major international company.

R. Webster, Hoggett Bowers plc, *St James's Court, 30 Brown Street*, MANCHESTER, M2 2JF, 061-832 3500. *Ref: M17003/FT*

These positions are open to male or female candidates. Please telephone for a Personal History Form to the relevant office, quoting the appropriate reference.

BARFIELD BANK & TRUST

Shareholders: Baring Brothers & Co. Limited, The Bank of N. T. Butterfield & Son Limited

Financial Controller

Guernsey

Barfield Bank & Trust Co. wishes to recruit, as a new appointment, a financial controller to assume responsibility for financial reporting, planning, controls, systems, etc, and for all aspects of accounting for and within the Bank.

The appointment, at senior managerial level, calls for a formal accountancy qualification followed by several years' relevant experience, preferably in the finance industry, as well as sound knowledge and experience of computer systems. The successful applicant will additionally be able to demonstrate a high level of motivation and achievement, and will currently be earning in excess of £25,000 p.a.

Barfield, which is jointly owned by Barings and the Bank of N.T. Butterfield, is a rapidly expanding company providing banking and other financial services, trust and investment management, and corporate and related management services.

The salary is fully negotiable, and the post carries a company car in addition to the usual banking benefits including assisted mortgage arrangements. While Guernsey residential qualifications would be an advantage, generous housing assistance could be provided.

Applications, which will be treated in strictest confidence, should be in writing and include a full curriculum vitae. Please write to:

J.G.J. Evett
Managing Director
Barfield Bank & Trust Co. Limited,
Barfield House,
St. Julian's Avenue,
P.O. Box 71, St. Peter Port,
Guernsey, C.I.

Accountancy Personnel

Placing Accountants First

FINANCIAL DIRECTOR DESIGNATE

NW1 **circa £18,000 + Prospects**

CITYLAW LIMITED

Citylaw Limited specialise in law stationery and printing, and are members of the largest independant buying group in law stationery. It is a comparatively young company embarking on an expansion drive. As a result, they are urgently seeking a Company Secretary to take responsibility for the complete accounting and administrative functions, and to upgrade and develop their computer systems.

Ideally, you should be an experienced, self motivated accountant, seeking a 'shirt-sleeves' role and keen to contribute as part of the company's management team. The successful applicant will develop the role into that of Financial Director within 12-18 months.

For further details, please contact:
The Manager,
Accountancy Personnel,
6-8 Glen House,
Stag Place,
Victoria SW1E 5AA.
Telephone: 01-828 7555.

YOUNG ACCOUNTANT FOR DYNAMIC PLC

EC1 **£18,000**

Microfilm Reprographics p.l.c.

1986 was an exciting year for our client, with turnover up 65% to £8.7 million, further acquisitions and a full stock exchange listing. Operating in an International basis they specialise in both the conventional and 'hi-tec' microfilm markets.

The company's growth has necessitated the creation of a new managerial role, as Accountant for the autonomous hi-tec area taking full responsibility for financial and management accounting function through to final audit.

This position is particularly suitable for a confident newly/recently qualified ACA with a small/medium sized company training and seeking their first commercial appointment.

With Microfilms outstanding record, future prospects are very promising for the successful applicant.

For further details, please contact:
Linda Mann,
Accountancy Personnel,
9 Eastcheap,
London EC3M 1PN.
Telephone: 01-626 0666.

ACA FOR PROPERTY PLC

City **c£18,000**

CONFIDENTIAL

With Group profits doubling in 1986, our client has consolidated its position as one of the premier property developers and project managers in the City.

Expansion on this scale has created an exceptional opportunity for a young newly/recently qualified ACA to manage the company's accounting function, undertaking an all encompassing role. Initial responsibilities include: financial accounts, management reports, budgets, systems development and staff supervision.

This is an ideal first move from the profession and offers excellent career development for the successful applicant. Our client wishes to interview at the earliest opportunity.

For further details, please contact:
Melanie Long,
Accountancy Personnel,
63/65 Moorgate,
London EC2R 6BH.
Telephone: 01-638 3955.

QUALIFIED FOR SUCCESS

EC4 **c£20,000 + Car**

REUTERS

Reuters, a world leader in supplying information services to the media and financial community, are seeking young career accountants to augment their corporate finance function.

Successful applicants will join a high calibre team engaged in monitoring performance, providing timely and pertinent management information and ensuring compliance with UK statutory and US SEC requirements.

Ambitious, innovative young accountants seeking a challenge within a rapidly expanding environment will enjoy an excellent benefits package including 6 weeks holidays. Reuters is an equal opportunities employer.

For further details, please contact:
Stewart Stone.
Accountancy Personnel,
307-308 High Holborn,
London WC1V 7LR.
Telephone: 01-404 4561.

Qualified Accountants

Two key roles in Corporate Head Office

BTR are seeking two Accountants, probably recently qualified, who now wish to make a major step forward in their career development. They will join a small team based in London which performs a key role in monitoring and reporting the Company's operations.

Assistant Group Financial Accountant

A wide variety of work includes assisting with the production of quarterly and annual financial consolidated accounts and with the collection, analysis and interpretation of financial returns from the worldwide BTR Group. Additional involvement in special financial analyses will be expected.

The candidate should have professional audit experience, preferably within a large practice and be able to demonstrate a knowledge of financial consolidations and an awareness of technical accounting matters.

Assistant Group Management Accountant

This involves the preparation and interpretation of monthly consolidated management accounts for BTR plc. Other duties include the development and application of management reporting procedures and involvement in "ad hoc" exercises.

Candidates must have sound professional experience with knowledge of management accounting techniques.

Both positions demand candidates with a good general education together with a recognised accountancy qualification (ACA/ACMA/ACCA), and be substantially computer literate.

In addition to a competitive salary, there is a contributory pension scheme, health insurance and excellent prospects for progression.

Please write, enclosing a full career history including current salary and daytime number to:- The Personnel Manager, BTR plc. Silvertown House, Vincent Square, London SW1P 2PL. Telephone: 01-834 3848.

BTR

"IPD's success rests on our ability to combine technical inspiration with applied commercial judgement. That's why we are now strengthening our management accounting team..."

MANAGEMENT ACCOUNTANTS

• VARIOUS LEVELS • FROM £13-18K •
• LONDON AND FELIXSTOWE BASED •

British Telecom's International Products Division (IPD) is responsible for extending the frontiers of Information Technology – at home and abroad – with new ideas, products and services.

We work at the leading edge of computer and communications technology. State-of-the-art voice and data communication systems, microcomputers and the most sophisticated office work stations are our stock-in-trade.

However, IPD's success rests on our ability to combine inspiration with applied commercial judgement. That's why we are now strengthening our management accounting team...

Essentially, we are adding several key talents – some will be Management Accountants and the others will be joining at Assistant level. Most of these posts will be based in London and at least one will be in Felixstowe. All, however, must possess a blend of skills that have been honed in a competitive business or industrial environment.

Management Accountants must have at least 4-5 years' practical professional experience and have gained or be working towards their CIMA or equivalent qualification. Having outgrown their present company, they will want to play a *front-line role developing computerised management information systems, preparing detailed accounting reports, undertaking crucial financial investigations and proposing major capital expenditure programmes.* All of which call for a mature appreciation of business priorities, a working knowledge of micro-computer modelling techniques plus an objective eye for gauging the commercial potential of new products and technologies.

The Assistant Management Accountants will be heavily involved in: *monthly reporting, annual budgeting, credit control, cost investigations, the development of PC systems and a host of other vital areas.* Consequently our requirement is for profit-motivated young men and women who have had experience of cost control, revenue maximisation and PC systems.

In return, we offer a very attractive starting salary plus the prospect of generous relocation assistance and wide-open prospects.

If you can contribute we'd like to hear from you. Contact John Sear on 01-631 2710, or write to him with full c.v. at British Telecom, Room 2126, 23 Howland Street, London W1P 6HQ. Please quote ref: FT20.

British
TELECOM
British Telecom is an Equal Opportunities Employer.

A major U.K. and international
COMMODITY MERCHANT
based in London requires a

CHARTERED ACCOUNTANT

to play a key role within the finance team

Reporting to the Finance Director, the principal responsibilities include preparation of monthly management accounts and annual statutory accounts.

The successful candidate will be a qualified chartered accountant, preferably aged between 25 and 35, who is probably currently working in a trading or commercial environment. It is essential that applicants have the ability to communicate with senior-level management and are computer orientated.

The position carries a competitive salary, car and range of other benefits.

Please reply in strictest confidence to Box A0519
Financial Times, 10 Cannon Street, London EC4P 4BY

Moores & Rowland wish to recruit Chartered Accountants, both newly qualified and those with at least two years post-qualifying experience for the Corporate Development Group of their London Office.

The Corporate Development Group specialises in reports and investigations connected with flotations, mergers and acquisitions. The group is also actively involved in management buy-outs, business expansion schemes and raising venture capital.

Corporate Development Executives

The ideal candidates to join this young and dynamic team will have some relevant experience but will primarily be self-starters with confident personalities who are prepared to work hard for the advancement of their careers.

The remuneration package will be in the range of £16,000 to £25,000 but tailored to the skills and experience of the successful candidates.

Please telephone Ken Taylor on 01-831 2345 or write to him enclosing your career details.

Moores & Rowland, Chartered Accountants,
Clifford's Inn, Fetter Lane, London EC4A 1AS.

MOORES & ROWLAND
Chartered Accountants
also at: Bury St. Edmunds, Cardiff, Chelmsford, Croydon, Edinburgh, Epping, Glasgow, Hertford, Hove, Kingston upon Thames, Manchester, Northampton, Reading, Sevenoaks, Walsall

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Recruitment Consultancy

Accountancy experience is often described as an excellent business training – a potential springboard to success in a whole range of different business areas.

Recruitment consultancy is a rapidly expanding business area in which Michael Page Partnership has an outstanding reputation.

Over the last decade many accountants have made the transition from accountancy into recruitment with Michael Page Partnership, so much so that we now employ more accountants than most of our clients. Recruitment with Michael Page Partnership places a much higher level of importance on inter-personal skills than conventional accountancy roles. It also offers an opportunity to contribute directly to the revenue of the business, and to develop expertise in sales, marketing and personnel related skills in an environment where excellence is encouraged and consistently achieved.

Two years ago Michael Page was considered to be ahead of the field and since then has experienced dramatic growth. With 180 employees in 9 locations in the UK, Michael Page Partnership is in a position to offer careers throughout the UK, based on individual ability and outstanding corporate growth.

As part of Addison Consultancy Group, a young but highly respected public company with a t/o of c.£85 million, Michael Page Partnership and its employees enjoy unlimited horizons. New businesses are currently being established in other disciplines within the human resources field, whilst existing recruitment businesses are developed internationally.

Remuneration is designed to reward commitment and initiative and includes a profit share and private health insurance scheme, as well as a pension and company car after a qualifying period.

If you would like to consider using your accountancy experience in the stimulating and challenging environment of Michael Page Partnership please write enclosing full CV to Richard Robinson ACMA, Managing Director, Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH.

MP
Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Hoggett Bowers

Executive Search and Selection Consultants

BIRMINGHAM, BRISTOL, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD and WINDSOR

Factory Accountant

Major International Group
East Midlands, £16,000, Bonus, Car

Through a combination of advanced technology, unquestioned integrity and a century of experience this profitable division has developed into one of the foremost providers of security printing services to the large financial institutions. Reporting to the Factory Manager, an opportunity now exists for an accountant to join the team managing the profitable operation of its two plants in the East Midlands. You will be responsible for all accounting including payroll; capital project appraisal, costing and the provision of monthly accounts, forecasts and budgets to the Divisional Board. Additionally you will take the lead in the further development of the computerised information systems. To meet this challenge you will be a qualified accountant, preferably ACMA and already have gained several years accounting experience in a sophisticated manufacturing environment. Hands on experience of micro-computers is essential. The rewards include an attractive big company benefit package and relocation assistance is available to this attractive and expanding part of the country.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to *P. Worsley*, **Hoggett Bowers plc**, *Castle House, 74 St. James's Street*, **NOTTINGHAM**, *NG1 6FJ*, **0602 412019.** *Quoting Ref: S15006/FT*

Recruitment Consultant

Salary to £35,000 + car + bonus + equity potential

We are an expanding recruitment consultancy specialising in retained middle to senior level financial control appointments for our established, blue-chip client base.

Our professional search and advertised selection services are enhanced by a sophisticated, computerised databank of over 2000 qualified accountants and MBAs in the £20 - 45,000 salary range.

We now seek a senior addition to our team of five consultants to help build upon our three years of very successful growth to date.

Aged 27 - 35 you should be a professional recruiter with proven business getting ability and the potential to create and develop your own client base. What we can provide is an open, innovative environment which backs, encourages and rewards success.

Please telephone Peter Lewis (anytime) on 01-439 6911 or write to him, enclosing CV and current remuneration details, at Financial Management Selection, 21 Cork Street, London W1X 1HB.

Financial Management Selection
Specialist Search and Selection Consultants

TAXATION ACCOUNTANT

Coventry

... to join Jaguar in our established taxation department within the Treasury function.

Reporting to the Group Taxation Manager, you will assume full responsibility for the preparation and agreement of UK tax computations for a number of group companies, as well as, providing an overall consultancy service. Considerable opportunity will also arise in U.K. and International tax planning.

You must have at least two years' sound experience in the profession, industry or Inland Revenue together with a relevant qualification.

An attractive salary will be offered and benefits include 5 weeks annual leave, an attractive bonus payment and pension scheme, lease car plus relocation where appropriate. Assistance in acquiring an ATII qualification may be available.

Please write giving brief details of experience, to:

Lynn Morgan,
Advisor, Management and Career Development,
Jaguar Cars Ltd.,
Browns Lane, Allesley,
Coventry. CV5 9DR.

We are an equal opportunity employer.

JAGUAR

HERON

Heron has been actively engaged in property investment and development since 1958 with a total value in excess of £1 billion, much of it retained for long-term investment. We have an extensive UK, European and US completed property investment portfolio.

Managing Director European Properties

This is a new post in the Group created as a consequence of ambitious current and projected growth in our European activities over the next five years. The current portfolio consists of +£200m of prime properties. The successful candidate will direct the Group's acquisition programme and oversee all property management; he/she will work closely with all general contractors, consultants and the whole gamut of specialist advisors. The post will report to the Chairman & Chief Executive.

Applicants will have been involved in major commercial schemes and are likely to hold a Directorship or other senior position with a property developer, or be in practice. In any event, they must be able to demonstrate a highly successful track record in the continental property markets. The likely age is 35+ with an appropriate professional qualification. Of singular importance are their managerial qualities including leadership and diplomacy. They will be fluent in French and/or Spanish.

The position is based in London with extensive travel. The employment package including an equity participation, will be designed to attract and retain a senior figure from the industry.

Applicants with a full CV (including photograph if possible) should write to:

A H Fell, Director of Human Resources,

Heron International
Heron House, 19 Marylebone Road,
London NW1 5JL

MANAGEMENT CONSULTANCY

with

PIMS Associates of the Strategic Planning Institute

The Strategic Planning Institute operates the PIMS (Profit Impact of Market Strategy) Programme, the oldest and most extensive effort to apply the empirical research techniques of science to competitive strategy.

PIMS Associates, the wholly owned consultancy subsidiary of SPI, currently has an opening for a BUSINESS ANALYST/CONSULTANT.

The successful candidate is:

- aged 28-32
- comfortable with statistics & economics
- formally trained in business (preferably an MBA)
- eager to learn, and to impart his/her knowledge to others
- willing to travel extensively

For further information, contact:

Bob Luchs, The Strategic Planning Institute, Finland House, 56 Haymarket, London SW1Y 4RN.

CONSOLIDATIONS ACCOUNTANT ADVERTISING

CENTRAL LONDON **PACKAGE CIRCA £20k**

A major international advertising and services group requires an experienced accountant with at least 3-5 years' experience of European and International Consolidation Accounting. There are tight monthly and quarterly deadlines to be met. In addition, IBM or compatible PC experience is necessary and knowledge of US GAP would be useful. Prospects exist for considerable achievement in this outstanding organisation.

FULL CURRICULUM VITAE PLEASE TO JOHN WEST

WEST DANES & CO.

9/9A NEW BOND STREET
LONDON W1Y 9PE
Telephone: 01-629 6757
01-491 7[illegible]

هكذا من الأصل

Two major Investment Banks within the City are currently seeking qualified Accountants:

ASSISTANT FINANCIAL CONTROLLER

£20,000 plus banking benefits

To take a leading role in the Accounts and Control Department. You must be adept at motivating and *training, particularly on the operation of P.C. and* Spread Sheet Software. Two years' banking experience is essential.

SENIOR ACCOUNTS CO-ORDINATOR

£15,000+

To assist with the overall production and review of accounting information with a view to developing a career in Capital Markets. Banking experience essential.

SENIOR INTERNAL AUDITORS

Excellent career opening for two highly ambitious individuals whose technical ability is matched by their knowledge of bank audit and the relevant computer-based systems.

You will be qualified with two years' experience within a City firm. Your experience will be rewarded with a very competitive salary and it is expected that promotion would follow quickly.

For an informal talk on these posts and the prospects on offer please contact MARK FAIRLEY and NICOLA LEWIS on 01-283 1555.

IPP Information Processing People
133 Middlesex Street London E1 7JF
Telephone 01 283 1555

SPRAGUE
THE MARK OF RELIABILITY

FINANCIAL CONTROLLER

For the UK subsidiary of an American group, with a turnover of $25m, located in Crawley, Sussex.

Reporting to the General Manager, you will be responsible for Finance, Personnel and Administration.

The successful candidate will be a qualified Accountant, late twenties, early thirties, whose experience includes the use of computerised accounting systems. Salary and relocation negotiable.

Please send detailed c.v. to:

M. Bowden
SPRAGUE UK LTD
Netherdale
Galashiels
Selkirkshire, Scotland

FINANCIAL ANALYST

UP TO £25,000 pa

Some Travel Involved

Outstanding Prospects

Newly-formed company with substantial investment funds at its disposal requires a financial analyst preferably with two to three years' experience in an appropriate financial area to examine, monitor and control financial aspects of proposed acquisitions.

Reporting directly to the executive Director responsible for mergers and acquisitions you will have excellent future prospects and will be required to undertake some travel from a London base.

Interested applicants should initially reply in writing to:

The Director
Mergers and Acquisitions
c/o E.M.L. Registrars Limited
1st Floor, Handel's House
25 Brook Street, London W1Y 1AJ
Tel: 01-493 4055

Central London Vacancies

CORPORATE FINANCE ADVISOR

£25,000+excellent benefits

US Merchant Bank, a leader in the field of finance, is seeking to appoint a high-calibre qualified Accountant to act as an advisor on Corporate Finance matters. Carrying out full investigations and subsequent production of reports. Candidates should ideally be in the 25-35 age group and be able to offer similar experience in this field.

ACCOUNTS OFFICE MANAGER

£25,000+excellent benefits

Major Euro Merchant Bank requires Senior Chartered Accountant who should ideally have had commercial experience in banking. You will run a department entailing control of day-to-day operations with planty of scope for original ideas and system improvement. A very interesting and varied opportunity.

For futher details either forward c.v. in strict confidence or please telephone ANDREW PINNEY on 01-283 1196.

NEW STREET ACCOUNTANCY
170 Bishopsgate, London EC2M 4LX

GROUP FINANCE DIRECTOR DESIGNATE

INSURANCE BROKING

Thames Valley — package c£35,000 plus car

Our client is a successful Independent Intermediary with exciting plans for continued expansion.

In preparation for the retirement of the Group Finance Director they are seeking a well qualified and experienced accountant to take control of all Group financial and management information systems. This will include computer systems development, cash management and working closely with main Board Directors on overall business development plans.

It is intended that there should be a planned progression of responsibility and position, culminating in an appointment to the Group's Holding Board.

Preferred applicants will be graduate Chartered Accountants, aged between 30 and 45 with controllership and information systems development experience either within the insurance industry or in another financial services company.

In the first instance please send brief personal and career details to Douglas G Mixon quoting reference F/527/M at Ernst & Whinney Management Consultants, Becket House, 1 Lambeth Palace Road, London SE1 7EU.

Ernst & Whinney

FINANCIAL CONTROLLER

Metier Management Systems sets the market standard for computer-based project management information and control systems. Part of the Lockheed Corporation Information Systems Group we have a global client base covering industrial sectors as diverse as aerospace/defence and financial services.

We require a Financial Controller to take responsibility for all aspects of financial management in the U.K. *Operations Division. Reporting* to the Managing Director you will need to be able to demonstrate experience covering the control of an organisation producing and monitoring budgets and forecasts, maintaining internal financial controls and providing the full range of management and financial accounting facilities.

You should be a qualified accountant with at least three years post-qualification experience in a sales oriented commercial position. In return we can offer you a highly competitive salary and benefits package, including fully-financed car, medical and life assurance together with the sort of career development prospects you would expect from a highly successful, high technology organisation.

Contact Charles Vallee, U.K. Personnel Manager, Metier Management Systems, 23 Clayton Road, Hayes, Middlesex, UB3 1AN.

METIER
A LOCKHEED COMPANY

Young Chartered Accountant

TO £25,000 PLUS CAR

Can you answer yes to the following?

- Are you under 30?
- Are you a qualified Chartered Accountant?
- Do you want to join a new Foreign Exchange Broking Company?
- Are you prepared to take responsibility for the London operation Accounting reporting to the Financial Director in New York?
- Will you roll your sleeves up and take a "hands-on" approach?
- Have you the necessary skills to make financial controls work within this specialised environment?
- Do you know about personal/ corporate tax, year end accounting and budgeting?

If so, we have an outstanding opportunity for you to join this new expanding operation as the Company Accountant and take a positive step forward in your career.

Interested? Write to Tom Kerrigan with your full c.v. at Tom Kerrigan Associates, 20 Wormwood Street, London EC2M 1RQ or to find out more details call him on 01-588 4303.

TOM KERRIGAN ASSOCIATES LTD
RECRUITMENT CONSULTANTS

INVESTMENT ACCOUNTING MANAGER

City — To £25,000 + car

Career development potential is the key to this important role with Hill Samuel Investment Management, a leading financial institution in the City.

You will undertake a full-scale investigation, revision and implementation of investment accounting procedures, both manual and computerised, to ensure that they meet *the operational needs of a growing business. Your main role will be to* recommend and implement new systems, but you will also manage an established team with responsibility for reconciliation of overseas bank accounts and internal suspense accounts.

Qualified and ideally aged 28+, with some four years' experience in a major financial or institutional environment, you should be innovative by nature and confident in your ability to make an impact. The job involves considerable liaison with users and fund managers; good communication skills are therefore essential.

In addition to salary which will depend on experience and potential the package includes a car, mortgage assistance and profit share. There is a substantial scope for career progress within the business.

Please send a full cv including current salary to J.R.T. Miller, Head of Personnel.

HS
Hill Samuel Investment Management Limited
45 Beech Street, London EC2P 2LX. Tel: 01-628 8011

Accountancy Personnel
Placing Accountants First

FINANCE DIRECTOR DESIGNATE

FOR LLOYDS UNDERWRITING AGENCY

City — c£30,000 + Car

Incorporated in 1973, but with a history that can be traced to the turn of the century, our client is a Lloyds Underwriting Agency acting as Managing and Members Agents. Steady, profitable growth has necessitated the creation of a new role leading to directorship.

The appointee will join a small cohesive team and assume overall control of all the financial and company secretarial affairs of the company and actively partake in the ongoing computerisation of *all* its operations.

Ideally, in their 30's candidates will be chartered accountants possessing an extensive knowledge of Lloyds Underwriting gained through audit or direct appointment and seeking a long term career move. Future prospects include equity participation and assisted membership of Lloyds.

Applications will be treated in the strictest confidence and should be sent to our consultant, Martin Humberstone. Alternatively, telephone him for an early appointment.

Accountancy Personnel,
63/65 Moorgate,
London EC2R 6BH.
Telephone: 01-638 8091

EUROPEAN INVESTIGATIONS

ACA aged 25-30 — neg. c. £23,000-£25,000

Based in WEST LONDON, our client is a US MULTI-NATIONAL with worldwide turnover of $1,500m. It is envisaged that in 1987 the current EUROPEAN turnover of £300m will expand significantly, primarily by acquisition, and is targeted ultimately at 50 per cent of WORLDWIDE TURNOVER! Extensive EUROPEAN travel demands at the very least a good working knowledge of GERMAN and/or FRENCH, in that order of preference.

The successful candidate should be hard-working but sociable as a SENSE OF HUMOUR helps establish fast rapport at all levels.

Due to close liaison with SENIOR US MANAGEMENT, four to six weeks each year is spent in the UNITED STATES at CORPORATE HEADQUARTERS.

Career prospects in this fast-moving corporation are ABSOLUTELY FIRST CLASS, e.g. a member of the team was recently promoted right hand man to the VICE-PRESIDENT OF EUROPEAN OPERATIONS and this vacancy arises due to the promotion of a young lady from the team to a senior treasury post in GERMANY.

Please telephone and send your c.v. to:
GEORGE D. MAXWELL, Managing Director
ACCOUNTANCY APPOINTMENTS EUROPE
1-3 Mortimer Street, London W1
Tel: 01-580 7739/7695 (direct)
01-637 5277 ext. 281/282

Accountancy Appointments Europe

Financial controller/ company secretary

Central London, to £25,000 + benefits

C&L

This is an excellent opportunity to play a key role in the business development of a company in the fast-moving and colourful world of exclusive designer fashion. Our client is a subsidiary of a major European Group, whose products are renowned for their style and quality and whose UK turnover is expected to exceed £7 million this year.

Reporting to the General Manager, and with a staff of four, you will have total responsibility for the financial function and for company secretarial matters. You will be required to assist in commercial and legal negotiations, to exercise cash flow control and to advise on all aspects of personnel management.

You will be a qualified accountant, probably in your late twenties, whose experience includes foreign exchange dealings, liaison with Banks and the management of a small team. In addition, you should possess an understanding of legal principles, insurance matters and computerised systems, a high level of commercial awareness and the ability to command respect from creative people.

Résumés, including a daytime telephone number to Janice Walden, Ref. JW591.

Coopers & Lybrand Executive Selection

Coopers & Lybrand
Executive Selection Limited
Shelley House 3 Noble Street
London EC2V 7DQ
01-606 1975

EUROPEAN TROUBLESHOOTERS

ACA's 22-33 — neg. c. £24,000

Our client, a major US MULTINATIONAL in the TOP 100 companies in FORTUNE 500, has extensive interests in EUROPE, and currently two vacancies for candidates with strong professional backgrounds, particularly young men and women who have already worked in EUROPE or in any OVERSEAS location for whom travel and being part of a well organised and motivated team hold attraction.

A second European language facility in FRENCH, GERMAN, DUTCH, ITALIAN or NORWEGIAN would be advantageous and explicit assistance is available from the company for linguistic improvement.

The company operates at the forefront of modern accounting technology and provides a "FINISHING SCHOOL ENVIRONMENT" for the BUSINESS ORIENTATED ACCOUNTANT.

Please telephone in the first instance and send your cv to:
George D. Maxwell, Managing Director
ACCOUNTANCY APPOINTMENTS EUROPE
1-3 Mortimer Street, London W1
Tel: 01-580 7695 (direct)
01-637 5277 extn 281/282

Accountancy Appointments Europe

TAX ACCOUNTANT

Baker Street c. £20,000 + excellent benefits

As one of the UK's largest building societies with assets worth around £20 billion, the Abbey National selects experts of the highest calibre to make the crucial financial decisions on which this success depends.

We are currently seeking a tax specialist who can help to minimise the society's tax liabilities. This will include advising management on tax issues arising out of corporate business activities both UK and overseas. You will also have input on capital and revenue expenditure appraisals and report on the tax implications of new product developments and employee remuneration packages.

This is an ideal opportunity for an experienced Inland Revenue Inspector or accountant with a large professional firm who wants to break into the commercial world. Preferably educated to degree level, you should be a chartered accountant or ATII qualified and have 2-3 years' experience in all areas of taxation, including VAT.

A negotiable salary of around £20,000 will be supplemented by a generous benefits package including profit-sharing, excellent pension, BUPA and relocation assistance where appropriate. Prospects for progression within this area and elsewhere within the organisation are excellent.

Please write or telephone for an application package to Bill Whitehead, Personnel Officer, Abbey National Building Society, Abbey House, Baker Street, London NW1 6XL. Tel: 01-486 5555.

The closing date for applications, which are invited from all sections of the community, is 28 May 1987.

ABBEY NATIONAL BUILDING SOCIETY

Financial Controller

EXCELLENT CAREER OPPORTUNITY

North West Circa £22,000 + Car

This is an outstanding opportunity for a qualified accountant looking for senior management responsibilities within a leading multi-site consumer goods manufacturer. The position will report to the Finance Director of this profitable and expanding £25m retail supplier.

Candidates, aged 28-35, should have broad based management accounting experience ideally gained in a labour intensive manufacturing environment. The ability to further develop financial reporting throughout the organisation is essential as is the maturity to lead and motivate a department of 15. Knowledge of computerised systems is also important to meet the increasing management information needs of this fast growing business.

The attractive remuneration package is further enhanced by first class terms and conditions of employment, including relocation assistance where appropriate.

Interested applicants (male or female) should send a detailed CV or request an application form on 0625 533364 (24 hours) quoting reference 1205/FT.

Wickland Westcott & Partners

LONDON PARIS BRUSSELS DUBLIN

Executive Selection/Management Development

Springfield House, Water Lane, Wilmslow, Cheshire SK9 5QS. Tel: (0625) 532446.

International Appointments

OLSEN & ASSOCIATES

CHALLENGING OPPORTUNITY FOR A HEAD OF INTERNATIONAL MARKETING

We are a young and rapidly growing Swiss company based in Zurich. We specialise in applied economic research in financial markets and commercial real time information systems derived from our research.

We are expanding our activities in Europe and US and are looking for a senior executive to head our international marketing department. The successful candidate will:

- Hold a university degree
- Have an excellent knowledge of information and communication system in the financial field
- Have substantial experience with the marketing of high tech, possibly of bank related products
- Be about 40 and willing to travel

In addition to the above responsibilities, the successful candidate is expected to open and manage our company branch in London.

Write in full confidentiality to Dr Richard B. Olsen

OLSEN & ASSOCIATES

Research Institute for Applied Economics

Seefeldstrasse 233
CH-8008 Zürich

ASSISTANT PROGRAMME DIRECTOR

Management Centre Europe (MCE) is Europe's largest management development organisation. We offer a wide range of management programmes designed to meet the development, information and training needs of managers. We make available and develop the latest management techniques and help managers to adapt to the changing environment.

The rapid expansion of our **Banking and Finance Division** has led to the need for someone to help maintain the momentum. Responsibilities include planning, organisation and running a range of management training and information programmes. The Assistant Programme Director should be a well organised individual with the communicating skills and maturity to interact effectively with top executives from all over Europe.

Aged 25-35 with MBA or equivalent, you should be fluent in English, entrepreneurial, with 3 years finance experience in a corporation or financial institution. An excellent salary is offered with the opportunity to demonstrate your entrepreneurial abilities in a stimulating multi-cultural environment and to be an important contributor to the organisation's success.

Please write enclosing a curriculum vitae to HANSAR INTERNATIONAL, rue Belliard 205, B-1040 Brussels, Belgium.

MCE Brussels

Internal Auditor

c. £17K + car

This company is a major name in distribution in the motor accessory business with country-wide outlets. Part of a large multi-national group, it has 1200 employees and an annual turnover of £75m. There is a young, dynamic management team, recently re-structured, with ambitious profit targets.

This is a new appointment, reporting to the Finance Director, with responsibility for monitoring the Company's systems, both at Head Office and in the branches. The successful applicant will head a team of three and will be expected to make significant improvements in stock control and wastage.

An experienced audit practitioner who has worked in retailing, and particularly has good knowledge of point-of-sale systems is preferred. Membership of the I.I.A. would be an advantage.

Conditions of service are highly attractive, including a 1.8 litre car, company pension plan and 5 weeks annual holiday. The location is the Northern Home Counties and generous relocation expenses are available where necessary.

Please send full CV, which will be forwarded to our client unopened. (Address to our Security Manager if listing companies to which it should not be sent). Ref: B9508/FT.

PA

PA Advertising

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Company Notices

SCHERING

Notice of Annual General Meeting

Schering Aktiengesellschaft
Berlin and Bergkamen

(Securities Code Nos. 712 000 and 712 201)

Shareholders are invited to attend this year's Annual General Meeting, which will take place on Tuesday, 16 June 1987 at 10 a.m. at the International Congress Centre Berlin, Messedamm/corner of Neue Kantstrasse, 1000 Berlin 19 (Charlottenburg).

Agenda

1. To present the approved accounts, the group accounts, the annual report and the group annual report for the business year 1986 together with the report of the Supervisory Board.
2. To resolve upon the appropriation of the net profit for the year.
3. To resolve upon discharging the Board of Management.
4. To resolve upon discharging the Supervisory Board.
5. To elect the auditors for the fiscal year 1987.

The complete agenda, including the resolutions put forward, is due to appear in the 7 May 1987 issue (No. 84) of Bundesanzeiger (Federal Gazette). Please refer to this announcement for details of the agenda and of the procedure for depositing shares in order to attend the Meeting. Closing date for such deposits will be Tuesday, 9 June 1987.

Pursuant to Section 125 of the German Companies Act we have sent Notices to Shareholders and the abridged version of our annual report for 1986 intended for all holders of Schering shares to every bank holding Schering shares in safe custody, for them to pass on to all holders of Schering shares.

Shareholders who have their Schering shares held in safe custody by a bank and have not as expected received these documents from their bank by the beginning of June are requested to apply for them to their bank.

Berlin, 7 May 1987

The Board of Management

SOCIETE GENERALE ALSACIENNE DE BANQUE

$US 40.000.000 FLOATING RATE NOTES DUE 1995

For the six months, April 15, 1987 to October 14, 1987, the rate of interest has been fixed at 7 1/16% P.A.

The interest due on October 15, 1987 against coupon nr 5 will be $US 359,01 and has been computed on the actual number of days elapsed (183) divided by 360.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

ENERGY RECOVERY INVESTMENT CORPORATION S.A.

Société Anonyme RC Lux No. B19717

("ERIC")

NOTICE IS HEREBY GIVEN that the fourth Annual General Meeting of the Shareholders of ERIC will be held at the registered office at 20 boulevard Emmanuel Servais, Luxembourg at 11 am on 15th June, 1987.

AGENDA

1. Approval of the reports of the Board of Directors and of the Statutory Auditors.
2. Approval of the balance sheet and profit and loss account for the year ended 31st December, 1986.
3. Approval of the write-off of losses for the year against Share Premium Account.
4. Discharge of each of the Directors and of the Statutory Auditor for the proper performance of their duties during the year ended 31st December, 1986.
5. Re-election of the Statutory Auditors.
6. Miscellaneous.

The Resolutions of the shareholders at the Annual General Meeting may be passed by a simple majority of those shareholders voting and present in person or represented by proxy, and each share is entitled to one vote subject to the statutory voting limitations. Shareholders may be represented by proxies. Proxies need not be shareholders.

FIVE ARROWS LIMITED

A DIVIDEND has been Declared of 4.0p per share payable to the holders of Ordinary Shares registered on 1st May, 1987 and to holders of Coupon No. 117 attached to Ordinary Share Warrants to Bearer. The dividend will be paid on 7th May, 1987. Coupons must be lodged with Securities Department, Hill Samuel & Co. Limited, 45 Beech Street, London EC2P 2LX, where listing forms can be obtained.

By Order of the Board of Directors
S. D. MITCHELL, Secretary.

St. Martins House, 16 St. Martin's-le-Grand, London EC1A 4EP

Contracts and Tenders

ALGERIE - الجزائر

ENAPAL

NOTICE OF INTERNATIONAL INVITATION TO TENDER (No 22/87)

The Entreprise Nationale d'Approvisionnement en Produits Alimentaires (National Food Supply Company) "ENAPAL" is launching an international invitation to tender for the supply of:

2,000 tonnes and over of processed Cheddar cheese to be used in the manufacture of cheese spread.

Interested companies may collect the specification against payment of 200 DA (two hundred Algerian dinars) from ENAPAL, 29 Rue Larbi Ben M'Hidi, Algiers.

Tenders in duplicate together with the statutory documents should be sent to the above address in double sealed envelopes, the outer envelope bearing the following wording only: "Appel à la Concurrence Internationale No. 22/87, à ne pas ouvrir (International Invitation to Tender No. 22/87, do not open).

The final date for submission of tenders is fixed at 15 days from the date of publication.

Tenderers will be committed to their tender for a period of 90 days from the closing date of this invitation which is addressed only to producers and bodies specialising in marketing in accordance with the provisions of Law No. 78/02 of 11 February 1978 relating to state monopoly on overseas trade.

anep/alger

CANADIAN PACIFIC LIMITED

(Incorporated in Canada)

CANADIAN PACIFIC LIMITED
Perpetual 4% Consolidated Debenture Stock

NEW BRUNSWICK RAILWAY COMPANY
4% Debenture Stock

CALGARY & EDMONTON RAILWAY COMPANY
4% Debenture Stock

In preparation for the payment of the half-yearly interest due July 1 1987 on the above Stocks, the transfer books will be closed at 3.30 p.m. on June 3 1987 and will be re-opened on July 2 1987.

D. R. KEAST, Deputy Secretary

Southside, 105 Victoria Street, London, SW1E 6QT. May 7 1987.

IRELAND

US$25,000,000

Floating Rate Notes due 1997

In accordance with the provisions of the notes, notice is hereby given that for the last interest period from May 6th, 1987 to November 6th, 1987 the notes will carry an interest rate of 7⅝%. The coupon amount per US$100,000 note will be US$3,897.22. The interest payment date will be November 6th, 1987.

Agent Bank
Amsterdam-Rotterdam Bank N.V.

SOFINA

Société Anonyme
Registered Office: 38, rue de Naples, Ixelles-Bruxelles
Commercial Register of Brussels No. 275,914

The Dividend for the financial year 1986, fixed at F.335 net of previous deduction, will be payable from the 8th May, 1987, on presentation of Coupon No. 42. Payments will be made by the following establishments in London— Banque Belge Limited, 4 Bishopsgate, London EC2N 4AD; Midland Bank plc, International Division, P.O. Box 181, 110-114 Cannon Street, London EC4N 6AA.

Company Announcements

DEAN WITTER CAPITAL MARKETS DIVISION is pleased to announce that effective 1st April 1987 the following officers were appointed to DEAN WITTER REYNOLDS (HONG KONG) LTD., namely Mr. J. Kommer as Vice President and Miss Caroline Caisset as Assistant Vice President.

Art Galleries

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday May 7 1987

Next bids £325m for UK stores group

By Philip Coggan in London

NEXT, the UK fashion, home furnishings retailer and mail order group, yesterday launched a £325m ($520m) counter-offer for Combined English Stores, topping Friday's £302m bid from Ratners, Britain's biggest jewellery retailer.

The board of CES, which owns 2.75 per cent of the company, is recommending the Next offer, although only last week directors gave assurances to accept the Ratners bid.

Mr George Davies, Next's chief executive, yesterday said CES earned around half its trading profits from Salisbury's, the fashion accessories chain and the West German ladies clothing group, Biba.

Similarly, he felt the Paige chain of ladies fashion shops would benefit from what he called "Nextification".

However, Mr Davies plans to dispose of the Allen's chain of chemists and the group's wholesaling business, leaving him with around 700,000 sq ft (65,000 sq) to add to Next's existing 900,000 square feet of retail space.

But he have no indication that he might be prepared to do a deal with Ratners whereby the jewellery group would acquire CES's Zales, Collingwoods and Weir chains.

Next has increased its market capitalisation from £42m in August 1982 to around £850m on the back of the success of the Next fashion stores and the acquisition of Grattan, one of Britain's largest mail-order groups.

Mr Gerald Ratner, Ratners' chairman and chief executive, yesterday said: "Nothing surprises me and nothing upsets me. It's all par for the course in business."

The Ratners bid, which would have created a jewellery group with around 20 per cent of the UK market, had already provoked calls for a reference to the Monopolies Commission. Mr Ratner had not yet decided whether to increase his bid or walk away.

Unless Ratners increases its offer, Next is widely expected to succeed with its bid.

Next is offering 11 of its shares for every 9 in CES, which would involve the issue of 99m shares, 26 per cent of its enlarged equity.

On last night's share prices, the bid valued CES shares at 401p each. There is also a cash alternative of 386p.

Shares in CES ended yesterday 17p higher at 393p, in Next 15p lower at 328p and in Ratners 8p lower at 355p.

Lex, Page 14

Canadian Pacific turnround

By Our Financial Staff

CANADIAN PACIFIC, the major Canadian transportation, resources and manufacturing conglomerate, yesterday reported a big turnround in first-quarter profits and expressed cautious optimism for the year.

The company reported operating net profit of C$125.4m ($93.9m) or 42 cents a share for the quarter, against a loss of C$36.5m or 12 cents a year earlier. Revenues fell to C$2.89bn from C$3.6bn.

The latest period's profits exclude extraordinary gains of C$193.3m or 64 cents from the sales of CP Air and a CP Ships unit.

Mr William Stinson, president, said: "We're optimistic about the year, but there are some downsides – there are labour negotiations in three of the key industries, plus (we're unsure of) the effect of natural gas pricing, so I'd say I'm cautiously optimistic."

Labour negotiations are underway in the company's rail and forest product divisions.

Mr Stinson repeated his assertion that the company is interested in developing an additional core business to complement its major freight transport, natural resources, steel and manufacturing, and property divisions. In the past two years Canadian Pacific, one of Canada's largest companies, has restructured, consolidating its core businesses and sold other operations.

WEST GERMAN NEWS

Hoechst profits advance on strong US showing

BY HAIG SIMONIAN IN FRANKFURT

HOECHST, the leading West German chemicals group, increased its pre-tax earnings for the first quarter of 1987 by 5.7 per cent to DM 686m ($387m) against DM 649m in the first quarter of 1986. This was despite a 3.5 per cent fall in group turnover to DM 8.4bn compared with DM 8.7bn in the corresponding period last year.

The company attributed the rise in profits to "pleasing" results in the US, although turnover internationally was again hit by the fall in the dollar and international competition.

The group hopes at least to maintain sales volumes in 1987, although Mr Wolfgang Hilger, Hoechst's chief executive, recognised 1987 would be "a hard year."

Hoechst's first-quarter figures take account of new West German accounting rules, which particularly affect the consolidation of subsidiaries.

The results also include, as of March 1, figures for Celanese, the US chemicals group Hoechst bought last year.

Group turnover declined by 2.7 per cent in West Germany and by 3.8 per cent abroad in the first quarter, and by 6.8 per cent and 8.5 per cent respectively at parent company level.

However, Hoechst has maintained its sales volume domestically, while volumes have risen by 1 per cent.

Mr Hilger conceded that the present dollar-D-Mark exchange rate was hurting the company. "A continuing rate of DM 1.80 is in the region of pain," he said. "I still feel DM 2.20 would be the proper rate."

Hoechst would focus new investment on four main areas this year. Some DM 250m would be spent at parent company level on Messer Griesheim, the industrial gases division, and a similar amount on environmental and anti-pollution activities.

Pharmaceuticals and some further piecemeal investments at Celanese would account for the remainder of new spending, although Mr Hilger would not be drawn on detailed figures.

The group retains about DM 5bn in liquid assets after the Celanese purchase, an amount which was "about enough" Mr Hilger said.

Metallgesellschaft regroups its foreign mining interests

BY OUR FRANKFURT CORRESPONDENT

METALLGESELLSCHAFT, the West German metals and mining group, is to put its main foreign mining interests in a new Canadian-based holding company to be quoted on the Toronto Stock Exchange.

The company, to be called Metall Mining Corporation, is likely to have a value of up to C$400m (US$300m). A third of the shares will be available to outside investors.

Included in the new holding company, which Metallgesellschaft hopes will be quoted this summer, will be the near 20 per cent stake in Vancouver-based Teck (its voting power is larger), its near 4 per cent of MIM holdings of Australia, its 7.75 per cent of Cominco of Canada, and its 7.5 per cent of OK Tedi, the gold and copper mine in Papua New Guinea.

Holdings in two Australian gold projects will also be included, as well as the German group's 25 per cent interest in the new Cayeli copper and zinc project in Turkey, for which further investment is likely to be needed soon.

The company said the formation of the new company was aimed at putting its extensive foreign mining interests on a more rational basis and at raising new capital for other such ventures.

Metallgesellschaft last week filed a preliminary prospectus for the share issue in Toronto. This was the logical place for such an issue in view of Canada's importance to its mining activities.

In Frankfurt, the share price edged up by DM 2 on the news of the move to close at DM 340. Mr Dietrich Natus, chairman, told the annual meeting here that turnover was 18 per cent lower in the first half of the financial year to September 30, 1987.

This was mainly due to lower raw material prices, currency movements, and the timing of large plant contracts and was not a true guide to performance.

Mr Natus said the final profit – last year's net income was DM 69.9m (DM 61.4m) – would be satisfactory, with an expected recovery after the first half dip.

Kaufhof earnings surge by 16%

By Andrew Fisher in Frankfurt

KAUFHOF, the West German stores group in which the Metro cash and carry concern has built up a large stake, yesterday announced a rise in dividend on the back of sharply higher profits for 1986.

Net profits increased 16 per cent to DM 62.2m ($35.2m), with sales 8.4 per cent higher at DM 9.2bn. The Cologne-based company is proposing a dividend of DM 8 per share against DM 7 in 1985.

Kaufhof will give full details of last year's performance later this month. It has embarked on a heavy spending programme, expected to total some DM 1.4bn over the next few years.

Recent investor interest in Kaufhof, which has diversified considerably in the retail sector beyond department stores, has centred on the activities of Swiss-based Metro.

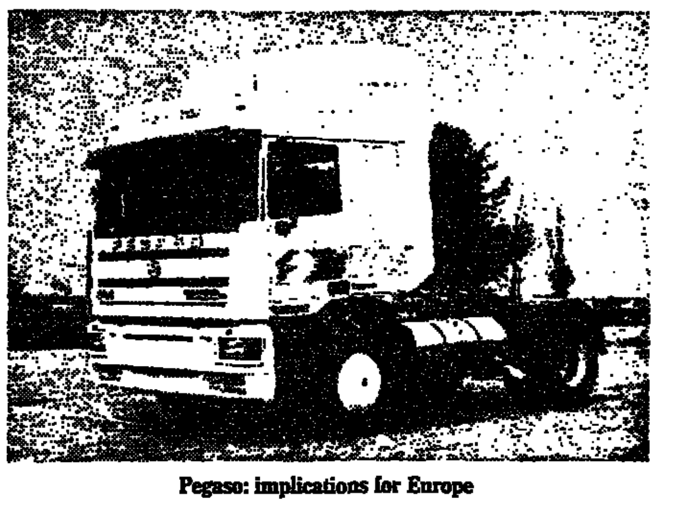
Last week, the Cartel Office in Berlin gave Metro permission to raise its stake in Kaufhof to more than 50 per cent. The present size of the Metro shareholding has not been revealed, but is known to exceed 25 per cent and possibly approach 50 per cent after purchases from Swiss and German banks, analysts said.

Metro is owned in roughly equal parts by Mr Otto Beisheim, its founder, Franz Haniel, the privately-held German transport and trading group, and Dutch investors. World turnover is nearly DM 28bn, including DM 7bn in Germany.

Apart from its 83 department stores and 198 Kaufhalle low-price outlets, Kaufhof is also involved in music, fashion, travel, and mail order. At yesterday's share price of DM 505 (up DM 17 on the Tuesday level), the company has a market capitalisation of DM 3.3bn.

Enasa gears up trucks for return to the black

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN LONDON


Pegaso: implications for Europe

ENASA, the state-owned, heavily loss-making Spanish group, has this week launched its Pegaso heavy truck range which represents an investment of about $100m and constitutes a key element in its drive to return to profitability by 1990.

However, the range, launched at the Barcelona Motor Show, has other implications for the West European truck industry because about $80m of the investment was shared with Daf Trucks of the Netherlands for a new cab suitable for vehicles of upwards of 20 tonnes gross weight.

Daf will launch the new cab on its heavy trucks in the autumn and in the longer term UK versions will be built at the Leyland, Lancashire, factory now owned by Daf.

Before then the cabs will make their first appearance in right-hand-drive form in January next year on trucks produced by Enasa's wholly-owned British subsidiary, Seddon Atkinson.

Mr Tony Laranjera, Enasa's international sales manager, says the new Pegaso trucks, to go on the roads in Spain and July and for launch in other continental European markets at year-end, might be put on sale in Britain alongside the Seddon vehicles in the spring of 1988.

This would be the first time Pegaso-badged trucks have been offered for sale officially in the UK.

The Enasa-Daf joint venture dates from 1983 when a new company, Cabtech was set up. Half the components for the new cab are stamped in Spain, the rest in Daf's Belgian factory. Components are exchanged and each company assembles its own version of the cab either in Spain or the Netherlands.

The Daf and Enasa cabs have different interiors. It is likely that Seddon will import cab shells from Spain and complete them in the UK.

It is almost certain that Leyland-Daf, the UK subsidiary of Daf (in turn 60 per cent owned by private interests in the Netherlands and 40 per cent by the state-owned Rover Group of the UK) will use the Cabtech cab as well as Seddon. This has serious implications for Motor Panels, the Rubery Own offshoot which supplies heavy cabs to both companies.

There is more to the new Enasa range, called the Troner, than just a new cab. The Spanish company has developed a new 360hp diesel engine from its previous 12-litre unit for the range and it is coupled with a new ZF 16-speed gearbox, built in Spain by Enasa under licence from the West German group. New Enasa rear axles are also used.

Enasa hopes the new range, for long-haul operations with a top weight of 44 tonnes gross, will enable it to push back the heavy truck imports to Spain although the substantial tariff barriers which have protected the motor industry there are being gradually dismantled and will be removed by 1993.

Mr Laranjera says his company hopes to claw back another 3 or 4 per cent of the over-15 tonne truck sector in Spain to add to its current 41 per cent share.

Just as important, the new range should help Enasa build up heavy truck sales in Western Europe outside Spain and the UK. The aim is to lift annual registrations in non-domestic European markets from about 800 to 1,500 within three years and to 3,500 by 1991.

To prepare the way Enasa has established its own import companies in France and Belgium, with dealers and service points throughout Western Europe to add to its 72 dealers and 140 service points in Spain.

Until recently the company concentrated its export efforts on Latin America and Africa.

The new truck range will be used to spearhead Enasa's move into Italy for the first time and it will soon set up its own import company in Milan.

Within three years Enasa should also have its own company in West Germany to supervise its service network in that country.

Development of the European sales and service network will continue but Mr Laranjera points out: "Daf has 800 dealers and service points in Western Europe. We will be glad to have half that number in five years' time."

Tiger Oats increases interim pre-tax profits

BY JIM JONES IN JOHANNESBURG

TIGER OATS, the diversified South African food group, was affected by a general sluggishness in the food market in the six months to March 31 1987.

The half year's turnover increased by 13.9 per cent to R2.1bn ($1.05bn) from R1.8bn, which was substantially less than the 20 per cent increase in the consumer price index for food. The interim pre-tax operating profit was R105.3m against R87.6m.

In the last financial year, which ended on September 30 1986, turnover was R3.5bn and the pre-tax profit was R200.1m.

The directors expect the first-half rate of profit increase to be maintained in the second half.

Working capital requirements will be contained by the recently announced reduction in the maize prices paid to farmers, the pelagic fishing interests have been helped by better fishing conditions and the pharmaceuticals subsidiary has benefited from recent acquisitions.

The first half's earnings increased to 439 cents a share from 371 cents in the corresponding period of 1986 and the interim dividend has been lifted to 124 cents from 105 cents. The last financial year's earnings were 775 cents and the total dividend was 270 cents. Tiger is controlled by the Barlow Rand group.

Romatex stages solid first-half performance

BY OUR JOHANNESBURG CORRESPONDENT

ROMATEX, one of South Africa's largest textiles and floor coverings manufacturers, saw first-half profits rise strongly, boosted by lower imports and a recovery in the worsted clothes market.

Turnover rose to R250m ($125m) in the six months to March 31 from R215m in the corresponding period of 1986. Interim operating profit before interest and tax more than doubled to R19.7m from R9.3m while pre-tax profit for the period was R18m against R5.8m.

Turnover totalled R490m in the year to September 30 1986, the year's operating profit was R34.2m and the pre-tax profit was R27.2m.

Mr Ian Mackenzie, managing director, said demand for consumer durables remained depressed, particularly in the floor coverings and automobile sectors.

However, last week Amrel, the furniture retailer, reported an acceleration in consumer spending on furniture and household durables. These contrasting trading experiences underline the continuing fragility of consumer confidence, despite government efforts to stimulate the economy.

However, Romatex did benefit from lower imports as the rand's weakness lessened the competitiveness of foreign goods.

The first half's earnings increased to 39.3 cents a share from 14.7 cents and the interim dividend has been lifted to 15 cents from 6 cents.

Earnings totalled 64.7 cents in the last financial year and a total dividend of 26 cents was declared.

Romatex is controlled by Barlow Rand, the mining and industrial group.

Norsk Data sees sharp profits gains

By Our Financial Staff

NORSK DATA, the Norwegian minicomputer group, expects 1987 pre-tax earnings to be between NKr 550m and NKr 600m ($82m-$89m) compared with last year's NKr 474m.

Mr Rolf Skaar, president, in Stockholm to announce the company's definitive 1986 results, said that sales of NKr 3.1bn to NKr 3.2bn were expected this year, compared with NKr 2.57bn in 1986.

"We would be very disappointed if the results are not within this range," Mr Skaar said.

Mr Skaar said that growth in the company's sales and earnings was smaller in 1986 than in 1985, mainly because the company had not made any major acquisitions last year. In 1985 the company bought two large companies in Sweden and West Germany.

Last year's sales and earnings were also affected by the oil price fall which slowed down business in Norway. But there was good demand in overseas markets, where order bookings rose 41 per cent.

Rand Mines exploration

By Our Johannesburg Correspondent

RAND MINES, the mining arm of the Barlow Rand group, has completed its platinum exploration programme at Kennedy's Vale in the eastern Transvaal. A feasibility report is to be prepared in June.

Rand Mines acquired its platinum interests through a deal with Vansa Vanadium and agreed to finance the drilling needed to evaluate the platinum potential of Kennedy's Vale.

Duffour et Igon ahead

BY PAUL BETTS IN PARIS

DUFFOUR et Igon, the French industrial gases group at the centre of a heated takeover battle, reported yesterday a 14 per cent fall in net earnings to FFr 11m last year ($1.85m) and a 40 per cent decline in operating earnings to FFr 12.84m last year compared with the previous year. Sales fell 1.7 per cent to FFr 309m last year compared with FFr 314m the year before.

The Toulouse-based company is currently the target of bids from Aga of Sweden, Linde of West Germany, Union Carbide of the US and Carburos Metalicos of Spain. Aga raised the bidding this week with a new offer of FFr 4,000 a share, valuing Duffour et Igon at more than FFr 530m.

INTERNATIONAL COMPANIES and FINANCE

William Dawkins on the background to the largest flotation on the Brussels stock market since 1967

Sweet smell of success for Raffinerie Tirlemontoise

RAFFINERIE Tirlemontoise, the 150-year-old Belgian sugar refiner, aims to reap the rewards for a decade of painful restructuring when it joins the Brussels stock market later this month.

With an anticipated market value of BFr 15.2bn ($414m), this fast-changing family-owned conglomerate will be the largest company to go public in Belgium since the chemicals group, Solvay, in 1967. The flotation marks a high point in a mini new issues boom for the Brussels stock exchange, which expects to see more than 10 new recruits in 1987, almost as many as in the whole of the previous three years.

It also marks an important stage in Raffinerie Tirlemontoise's attempts to reduce its dependence on its core business as Europe's fifth largest sugar producer in favour of more exciting — and riskier — areas like biotechnology. Subscriptions for what will be the Brussels stock market's only listed *food* company opened earlier this week and are due to close next Monday.

Raffinerie Tirlemontoise is offering for sale by tender 3m new shares, just under a quarter of its enlarged capital, at a minimum price of BFr 1,250. That would raise BFr 3.75bn, though the group's sponsors are aiming for a striking price that would pull in more like BFr 4bn. The cash will be used to continue the plan modernisation campaign started in the mid 1970s by Mr Guy Ullens de Schooten, the president and one of the family shareholders, and to help finance diversification.

Belgian investors—the issue *will also be offered in Paris* and Geneva—will have to work harder than usual to make up their minds about the company. For this is the first ever tender offer on the main Brussels stock market, a result of the unwillingness of the backers, Banque Degroof, Generale Bank and stockbrokers Peterbroeck Van Campenhout, to stake their reputations on a fixed price in what is an unstable time for Belgian equities.

Guy Ullens (left), president, and Ferdinand Chaffart, chief executive officer, of Raffinerie Tirlemontoise

Fears have been running high since the turn of the year that the Brussels market is about to run out of steam after its recent spectacular bull phase, yet only last month a cautiously priced flotation—Glaverbel, the glass maker—was 100 times oversubscribed.

As it is, Raffinerie Tirlemontoise is being offered on a prospective p/e of 7.9, a big discount to the Belgian industrial average of 12.2. That is assuming that net profits rise as forecast by nearly 38 per cent from last year's BFr 1.35bn to BFr 1.66bn for the current 12 months.

All this is quite a change in fortunes for a group that only a decade ago looked like a sorry relic of Belgium's industrial past. It had happily survived since its foundation in 1838 in the Eastern Belgian town of Tirlemont by increasing production to cope with a seemingly relentless growth in domestic sugar consumption from 5 kg to 36 kg per head by the early 1970s. When market growth suddenly tailed off to its current 1.6 per cent annually, the group continued to overproduce, with the result that it lost the equivalent of $25m in the four years to 1974.

Mr Ferdinand Chaffart, the former Procter & Gamble marketing executive brought in by Mr Ullens as chief executive in 1979, recalls: "Consumers began to feel that, if they went on eating like their parents, they would probably burst one day. It took the company a few years to realise that challenge."

But once Raffinerie Tirlemontoise did wake up to the fact that its market had gone ex-growth it wasted little time in cutting its cost base, while at the same time broadening into new activities. Staff numbers have fallen from 2,426 in 1980 to around 1,500—mostly through early retirement—while fuel consumption has been cut by 34 per cent over the same period. Running costs overall have been slimmed drastically thanks to a BFr 7.2bn plant modernisation scheme over the past five years.

Mr Chaffart does not rule out further closures. He believes only six of Belgium's 14 sugar factories can achieve the economies of scale needed to survive in an industry where there will be almost no volume growth in the foreseeable future. Raffinerie Tirlemontoise owns seven of them, accounting for 86 per cent of national consumer sugar sales and 68 per cent of the Belgian industrial sugar market.

Mass Transit Railway reduces losses

BY DAVID DODWELL IN HONG KONG

HONG KONG'S Mass Transit *Railway Corporation (MTRC)*, which operates the territory's 38.6km underground railway system, yesterday reported net losses for 1986 of HK$470m (US$60m). This was a considerable improvement on 1985 losses of HK$794m, and was influenced by lower debt repayment costs, and profits from the sale of properties.

The MTRC is Hong Kong's most heavily indebted company, with debts peaking at the end of 1986 at HK$19.2bn. Current forecasts suggest it will be able to report positive cash flows by the early 1990s, with debts repaid by around the year 2000. Meanwhile, the group claims to be the only self-sufficient mass transit system *in the world*.

Operating profits last year rose to HK$983m—a 24 per cent improvement on the HK$789m of 1985. This was due to a 15 per cent increase in passenger volumes, and an average 5 per cent increase in fares, which boosted fare revenues by 22 per cent to

However, debt repayment costs amounted to HK$1.4bn, up by HK$248m from 1985, giving the corporation a loss of HK$936m. This would have been 19 per cent worse than in 1985, except for profits on property development arising from MTRC's third and newest underground line, the Island Line.

Mr Wilfrid Newton, the corporation's chairman, said yesterday that property profits are likely to exceed HK$2bn between 1986 and 1989, offsetting "to a useful degree" annual operating losses.

The corporation raised loans totalling HK$6.7bn in 1986, taking year-end debt to what is expected to be a peak. Fresh borrowing this year is expected to be a more modest HK$3bn, most of this to refinance existing debts. Lower than expected interest rates over the past year reduced the corporation's debt repayment burden by more than HK$220m from the forecast total. They also enabled the MTRC to convert more loans into long-term, fixed-rate debt, which has reduced average interest costs to about 8 per cent.

The Hong Kong Government, which is the sole shareholder in the MTRC, plans to subscribe HK$1bn in April 1988 for more partly-paid shares. This follows a HK$1.5bn subscription at the end of 1985. The new subscription will further improve the company's debt to equity ratio —at present debts are almost six times the MTRC's equity.

Plans for the government to subscribe a further HK$2.5bn now appear to have been shelved, because of the MTRC's "improved financial position." The sum will nevertheless remain in reserve, and will be callable if needed.

Multi-Purpose Holdings deficit tops 220m ringgit

BY WONG SULONG IN KUALA LUMPUR

MULTI-PURPOSE Holdings, the diversified Malaysian Chinese investment group, has reported an attributed net loss of 228m ringgit (US$93m) for the year ended December 1986 compared with a previous loss of 192m ringgit. Turnover fell by 11 per cent to 580m ringgit.

The loss includes interest charges of 53m ringgit and extraordinary items of 168 ringgit, representing write-offs in the value of its ships, quoted investments and goodwill.

The group said its results were affected by the poor performance of its principal operations—shipping, plantations, property development, and consumer goods.

Last February, the entire board resigned, and a new board, headed by Mr Robert Kuok, a prominent Chinese businessman, was appointed, to revitalise the group.

The new board has set itself the task of arranging a financial package to meet its financial obligations as and when they fall due, reviewing and rationalising the group's operations, and seeking new business opportunities.

● A consortium comprising Genting, the Malaysian hotels and property group, and Lend Lease Corporation, the Australian property group, is the sole remaining contender to build and operate Sydney's Darling Harbour casino, Reuter reports from Sydney.

However, its success depends on a Western Australia Commerce Commission Investigation into Genting which operates Perth's Burswood Island casino.

South African Breweries lifts sales and profits

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICAN Breweries (SAB), South Africa's largest mass merchandising group, increased sales revenue by 24 per cent in the year to March 31 on the back of a 13.5 per cent rise in beer volumes.

Sales increased to R7.08bn ($3.54bn) from R5.70bn, trading profits before interest and tax rose to R557.8m from R367.2m and an unchanged interest bill led to a pre-tax profit of R436.7m against R245.9m.

Mr Meyer Kahn, the managing director, said in Johannesburg yesterday that clear beer sales rose to slightly less than 15m hectolitres. He said that clear beer comprises 28 per cent of the total drinks sold in South Africa but that it is gradually gaining market share from the traditional African sorghum beers, whose sales are two or three times those of the clear product.

Mr Kahn is uncertain about immediate sales trends as the collection of liquor sales taxes was altered on May 1. Hitherto, taxes were collected at the retail level, but this appears to have led to considerable tax evasion.

Beer provided about 55 per cent of SAB's attributable consolidated taxed earnings in the past financial year, with the remainder contributed by the group's furniture, clothing, footwear and supermarket interests. The beer division's turnover rose by 22 per cent

Consolidated earnings were 112.3 cents a share against the previous year's 82.5 cents and the total dividend has been raised to 50 cents from 37 cents. SAB is controlled by Premier Group which, in turn, is directly and indirectly controlled by Anglo American Corporation.

This announcement appears as a matter of record only.

ABN Bank

ALGEMENE BANK NEDERLAND N.V.

through its London Branch

Issue of

£75,000,000

10½ per cent. Notes Due 1992

Issue Price 101⅛ per cent.

Baring Brothers & Co., Limited ◆ Algemene Bank Nederland N.V.
Barclays de Zoete Wedd Limited ◆ County NatWest Capital Markets Limited
Morgan Guaranty Ltd ◆ Swiss Bank Corporation International Limited
ANZ Merchant Bank Limited ◆ Bank Brussel Lambert N.V.
Banque Nationale de Paris ◆ Deutsche Bank Capital Markets Limited
Dresdner Bank Aktiengesellschaft ◆ Generale Bank
Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft ◆ Goldman Sachs International Corp.
Hambros Bank Limited ◆ Kredietbank International Group
Morgan Stanley International ◆ Orion Royal Bank Limited
Salomon Brothers International Limited ◆ Westdeutsche Landesbank Girozentrale
Yamaichi International (Europe) Limited

March, 1987

This announcement appears as a matter of record only.

CREDITANSTALT

CREDITANSTALT-BANKVEREIN
(incorporated in the Republic of Austria with limited liability)

Issue of

£50,000,000

10½ per cent. Notes Due 1994

Issue Price 101 per cent.

Baring Brothers & Co., Limited
Creditanstalt-Bankverein ◆ S.G. Warburg Securities
ANZ Merchant Bank Limited ◆ Banque Bruxelles Lambert S.A.
Bayerische Vereinsbank Aktiengesellschaft ◆ Chase Investment Bank
Chemical Bank International Group ◆ Credit Suisse First Boston Limited
Daiwa Europe Limited ◆ Deutsche Bank Capital Markets Limited
DG BANK Deutsche Genossenschaftsbank ◆ Generale Bank
Goldman Sachs International Corp. ◆ Hambros Bank Limited
IBJ International Limited ◆ Kleinwort Benson Limited
Manufacturers Hanover Limited ◆ Merrill Lynch Capital Markets
Morgan Stanley International ◆ Orion Royal Bank Limited
Security Pacific Hoare Govett Limited ◆ Société Générale
Swiss Bank Corporation International Limited ◆ Tokai International Limited

February, 1987

This announcement appears as a matter of record only.

DRG

(Incorporated in England under the Companies Act 1948 with registered number 878527)

Issue of

£40,000,000

6¾ per cent. Subordinated Convertible Bonds Due 2002

Convertible into ordinary shares of

DRG public limited company

Baring Brothers & Co., Limited ◆ J. Henry Schroder Wagg & Co. Limited
Algemene Bank Nederland N.V. ◆ Banque Bruxelles Lambert S.A.
Banque Nationale de Paris ◆ Cazenove & Co.
Commerzbank Aktiengesellschaft ◆ County NatWest Capital Markets Limited
Creditanstalt-Bankverein ◆ Deutsche Bank Capital Markets Limited
Goldman Sachs International Corp. ◆ The Nikko Securities Co., (Europe) Ltd.
Swiss Bank Corporation International Limited ◆ Union Bank of Switzerland (Securities) Limited
Yamaichi International (Europe) Limited

April, 1987

This announcement appears as a matter of record only.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Issue of

£100,000,000

10⅝ per cent. Notes Due 1999

Issue Price 100¼ per cent.

Baring Brothers & Co., Limited
Algemene Bank Nederland N.V. ◆ Banque Nationale de Paris
Barclays de Zoete Wedd Limited ◆ County NatWest Capital Markets Limited
Credit Suisse First Boston Limited ◆ Daiwa Europe Limited
Deutsche Bank Capital Markets Limited ◆ Generale Bank
Goldman Sachs International Corp. ◆ Hambros Bank Limited
Hill Samuel & Co. Limited ◆ IBJ International Limited
Kleinwort Benson Limited ◆ Lloyds Merchant Bank Limited
Merrill Lynch Capital Markets ◆ Samuel Montagu & Co. Limited
Morgan Grenfell & Co. Limited ◆ Morgan Guaranty Ltd
Nomura International Limited ◆ Orion Royal Bank Limited
J. Henry Schroder Wagg & Co. Limited ◆ Swiss Bank Corporation International Limited
Union Bank of Switzerland (Securities) Limited ◆ S.G. Warburg Securities

January, 1987

This announcement appears as a matter of record only.

THE KOREA-EUROPE FUND LIMITED

(incorporated with limited liability under the laws of Guernsey, registered number 16613)
whose portfolio will be managed by
Korea Schroder Fund Management Limited

Offer of

3,000,000 Shares

U.S. $0.10 each at U.S. $10.71 per Share

to raise net proceeds of

U.S. $30,000,000

Baring Brothers & Co., Limited ◆ Ssangyong Investment & Securities Co., Ltd.
Kleinwort Benson Limited ◆ The Lucky Securities Co., Ltd.
Banque Bruxelles Lambert S.A. ◆ Banque Indosuez
Deutsche Bank Aktiengesellschaft ◆ Swiss Bank Corporation International Limited

April, 1987

This announcement appears as a matter of record only.

the Leeds PERMANENT BUILDING SOCIETY

(incorporated in England under the Building Societies Act 1986)

Issue of

£50,000,000

9¼ per cent. Notes Due 1992

Issue Price 100⅞ per cent.

Baring Brothers & Co., Limited ◆ Bankers Trust International Limited
ANZ Merchant Bank Limited ◆ Chemical Bank International Limited
County NatWest Capital Markets Limited ◆ Credit Suisse First Boston Limited
DKB International Limited ◆ Daiwa Europe Limited
Gerrard & National Limited ◆ Hambros Bank Limited
LTCB International Limited ◆ Merrill Lynch Capital Markets
Morgan Guaranty Ltd ◆ Nomura International Limited
Orion Royal Bank Limited ◆ Swiss Bank Corporation International Limited
Tokai International Limited ◆ Union Bank of Switzerland (Securities) Limited
S.G. Warburg Securities ◆ Westdeutsche Landesbank Girozentrale

April, 1987

This announcement appears as a matter of record only.

PHILIPS FINANCE

PUBLIC LIMITED COMPANY
(incorporated with limited liability in England)

Issue of

£40,000,000

10 per cent. Guaranteed Bonds Due 1994

Issue Price 101¼ per cent.

Unconditionally Guaranteed by

N.V. PHILIPS' GLOEILAMPENFABRIEKEN

Baring Brothers & Co., Limited
Bankers Trust International Limited ◆ EBC Amro Bank Limited
Algemene Bank Nederland N.V. ◆ Barclays de Zoete Wedd Limited
Banque Nationale de Paris ◆ Banque Internationale à Luxembourg S.A.
Berliner Handels- und Frankfurter Bank ◆ Commerzbank Aktiengesellschaft
Credit Suisse First Boston Limited ◆ Deutsche Bank Capital Markets Limited
Dresdner Bank Aktiengesellschaft ◆ DKB International Limited
Generale Bank ◆ Kleinwort Benson Limited
Samuel Montagu & Co. Limited ◆ Morgan Grenfell & Co. Limited
The Nikko Securities Co., (Europe) Ltd. ◆ J. Henry Schroder Wagg & Co. Limited
Swiss Bank Corporation International Limited ◆ Union Bank of Switzerland (Securities) Limited
S.G. Warburg Securities

March, 1987

This announcement appears as a matter of record only.

Redland

REDLAND CAPITAL PLC

Issue of

£60,000,000

7¼ per cent. Convertible Bonds Due 2002

Issue Price 100 per cent.

Guaranteed on a subordinated basis by, and convertible into ordinary shares of,

REDLAND PLC

Baring Brothers & Co., Limited
Cazenove & Co. ◆ Morgan Grenfell & Co. Limited
Swiss Bank Corporation International Limited ◆ S. G. Warburg Securities
Banque Bruxelles Lambert S.A. ◆ Banque Nationale de Paris
Deutsche Bank Capital Markets Limited ◆ EBC Amro Bank Limited
Morgan Guaranty Ltd ◆ Morgan Stanley International
Nomura International Limited ◆ Union Bank of Switzerland (Securities) Limited

February, 1987

This announcement appears as a matter of record only.

FERRANTI plc

£100,000,000

Multiple Option Facility

Arranged by
Baring Brothers & Co., Limited

Underwritten by
Barclays Bank PLC ◆ The Chase Manhattan Bank N.A.
The First National Bank of Chicago ◆ International Westminster Bank PLC
The Royal Bank of Scotland plc ◆ Grindlays Bank PLC
Security Pacific National Bank ◆ Baring Brothers & Co., Limited

February, 1987

This announcement appears as a matter of record only.

McKECHNIE plc

£20,000,000

Multiple Option Facility

Arranged by
Baring Brothers & Co., Limited

Underwriters
Australia and New Zealand Banking Group Limited ◆ Baring Brothers & Co., Limited

March, 1987

This announcement appears as a matter of record only.

WHSMITH

W.H.SMITH & SON (HOLDINGS) PLC

(incorporated with limited liability in England, registered number 471941)

Issue of

£50,000,000

7⅞ per cent. Subordinated Convertible Bonds Due 2002

Convertible into 'A' ordinary shares of 50 pence each of

W.H.SMITH & SON (HOLDINGS) PLC

Baring Brothers & Co., Limited ◆ Cazenove & Co.
Algemene Bank Nederland N.V. ◆ Banque Bruxelles Lambert
Banque Nationale de Paris ◆ Barclays de Zoete Wedd Limited
Commerzbank Aktiengesellschaft ◆ Deutsche Bank Capital Markets Limited
Generale Bank ◆ Kleinwort Benson Limited
Lloyds Merchant Bank Limited ◆ Morgan Stanley International
The Nikko Securities Co. (Europe) Ltd. ◆ Société Générale
Sumitomo Finance International ◆ Swiss Bank Corporation International Limited
Union Bank of Switzerland (Securities) Limited

March, 1987

This announcement appears as a matter of record only.

KINGDOM OF SWEDEN

Issue of

£100,000,000

9½ per cent. Bonds Due 1997

Issue Price 101¼ per cent.

Baring Brothers & Co., Limited
Bank Brussel Lambert N.V. ◆ Bankers Trust International Limited
Banque Nationale de Paris ◆ Credit Suisse First Boston Limited
Deutsche Bank Capital Markets Limited ◆ Dresdner Bank Aktiengesellschaft
Robert Fleming & Co. Limited ◆ IBJ International Limited
LTCB International Limited ◆ Merrill Lynch Capital Markets
Morgan Guaranty Ltd. ◆ Morgan Stanley International
The Nikko Securities Co. (Europe) Ltd. ◆ Nomura International Limited
Salomon Brothers International Limited ◆ J. Henry Schroder Wagg & Co. Limited
Security Pacific Hoare Govett Limited ◆ Shearson Lehman Brothers International
Svenska Handelsbanken Group ◆ Swiss Bank Corporation International Limited

April, 1987

This announcement appears as a matter of record only.

FERRANTI plc

£100,000,000

Sterling Commercial Paper Programme

Dealers
Baring Brothers & Co., Limited ◆ County NatWest Capital Markets Limited

U.S. $100,000,000

Euro Commercial Paper Programme

Dealers
Chase Investment Bank Limited ◆ First Chicago Limited
Security Pacific Hoare Govett Limited

Co-ordinated by
Baring Brothers & Co., Limited

February, 1987

This announcement appears as a matter of record only.

TRIBUNE INVESTMENT TRUST plc

Issue by way of placing of

£15,000,000

9⅛ per cent. Debenture Stock 2012

Baring Brothers & Co., Limited ◆ Baring Securities Limited

April, 1987

North American Companies

Investors Update 2

Part 1 was featured on May 6th.

American Brands, Inc.

American Brands is a worldwide holding company with two core *businesses—packaged consumer goods and financial services. 1986* sales were a record $8.5 billion and net income was $365.3 million, or $3.18 per share.

American's subsidiaries produce such well-known products as Pall Mall, Carlton, Lucky Strike and Tareyton cigarettes, Sunshine cookies and crackers, Master locks, Jim Beam bourbon, Titleist, Pinnacle and Foot-Joy golf products, Swingline staplers and Jergens lotion. Service businesses include Pinkerton's security and Franklin and Southland life insurance.

CSX Corporation

CSX Corporation is much more than a railroad, it's now a full service *transportation company offering One-Stop Shipping (SM) by rail,* barge, truck and container ship. Early this year, the company's purchase of Sea-Land Corporation won approval, which means that CSX service now circles the globe. With nearly $13 billion in assets, CSX also operates business groups in energy, properties and technology, adding diversified strength to its principal transportation group.

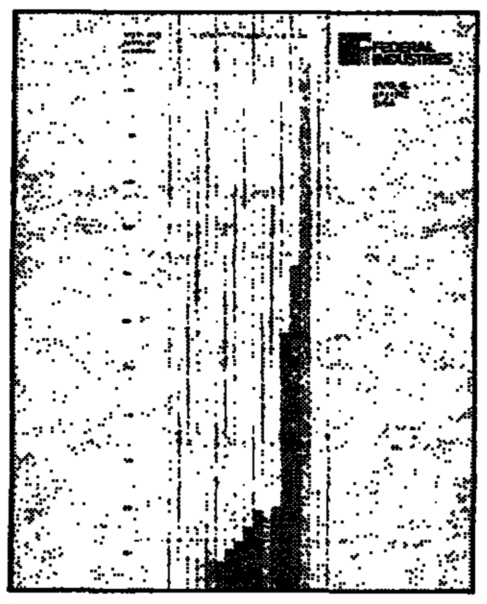
Elbit Computers Ltd.

Headquartered in Haifa, Israel, Elbit Computers Ltd. *(NASDAQ:ELBTF) is a technology-based company,* applying advanced electronics systems, products and services to business opportunities in defense and industrial markets to government and commercial customers. Fiscal 1986 revenues were $169.4 million while pre-tax income was $22 million, a 19 percent increase over the previous year. Export sales represented 55% of total revenues. Backlog at year-end was $254 million. For the first nine months of fiscal 1987, ended December 31, 1986, consolidated revenues were $117.3 million and income before taxes amounted to $15.6 million.

Engelhard Corp. (NYSE:EC)

1986 net earnings increased 25% on the strength of new specialty chemical products, market share gains and improved operating efficiencies. Dividends were increased during the year and again, more recently, in conjunction with a three-for-two stock split.

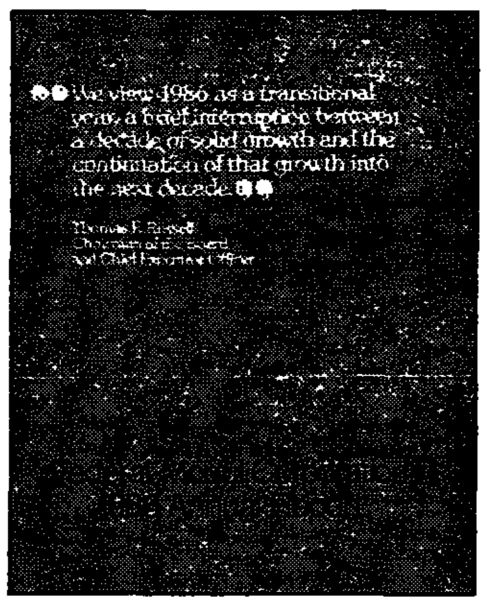
In its Annual Review 1986, Engelhard's commitment to advanced technologies is documented in customer case histories with 32 leading companies.



Federal Industries Ltd.

Federal Industries is a diversified management company, headquartered in Winnipeg, Canada, and involved in a variety of businesses—from manufacturing to transportation and distribution to specialty retailing—throughout North America.

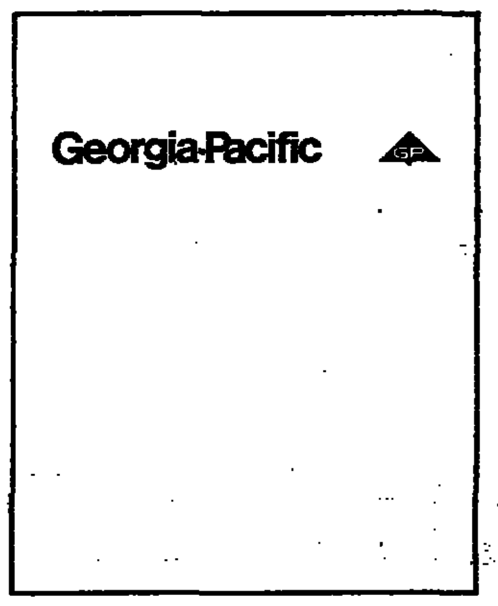
In 1986, for the first time in the Company's history, sales exceeded $1 billion. More importantly, net income and fully diluted earnings per share grew for the third year in a row.



Federal-Mogul Corporation

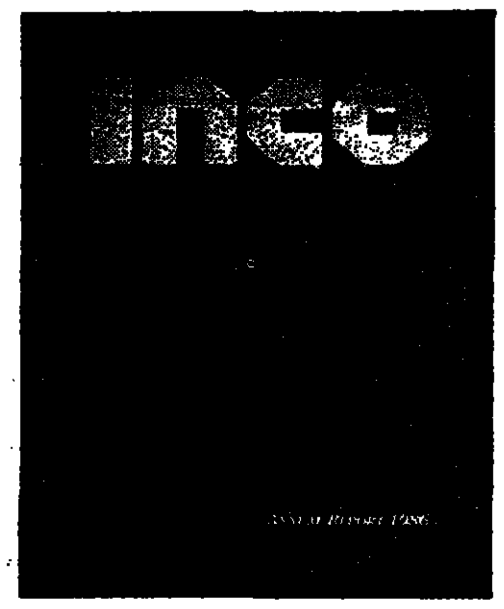
Federal-Mogul Corporation, headquartered in Southfield, Michigan, is a manufacturer and worldwide distributor of products that range from precision parts for the transportation, farm equipment, construction and manufacturing industries to aerospace and electronic components.

Shares of this $942 million corporation are traded on the New York and Pacific Stock Exchanges.



Georgia-Pacific

1986 was a year of solid performance for Georgia-Pacific. Net income rose 58% over 1985 to $296 million. Sales reached $7.2 billion as compared with $6.7 billion the previous year. In the fourth quarter the dividend increased to 25¢ per share. And we continued to improve productivity and upgrade our product mix. Send for more good news in our annual report, in print or video.

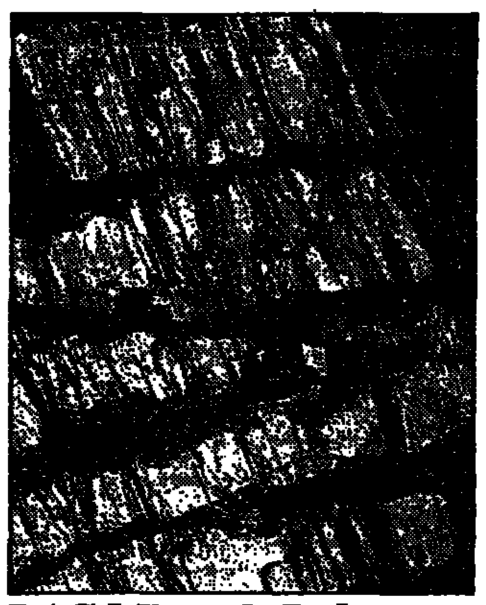


Inco Limited

Inco Limited is the non-communist world's leading producer of nickel and a substantial producer of copper, precious metals and cobalt. In addition, Inco is the world's largest supplier of wrought nickel alloys as well as a leading manufacturer of blades, discs, rings and other forged and precision-machined components made from special alloy materials. The Company is also a major producer of sulphuric acid and liquid sulphur dioxide, and has other interests in metals, venture capital, mining equipment manufacturing, and engineering and technology sales. For 1986 Inco reported net sales of $1,452 million (U.S.).

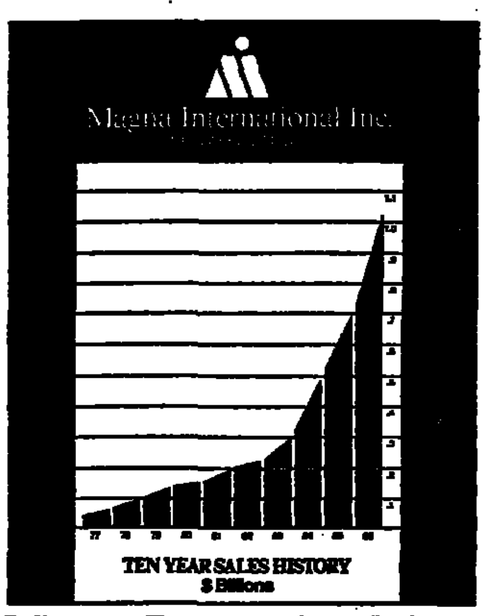
Kraft, Inc.

Kraft, Inc. is a multinational food and consumer products company with 1986 sales of $8.7 billion. Food products marketed under such brand names as *Miracle Whip, Philadelphia Brand, Velveeta, Breyers and Lender's*, as well as sales to foodservice and industrial customers, accounted for 89 percent of sales. Consumer products is represented by Duracell Inc., the world leader in consumer alkaline batteries.



LAC Minerals Ltd.

LAC's 1986 Annual Report contains a special section titled "A Strategic Approach to Mining". It gives insights into the business and philosophical approach on which LAC's success has been founded . . . success that includes production of more than one million ounces of gold in the past five years. The Report also provides detailed information on operations and exploration activities including production and reserves figures. LAC Minerals is a major North American gold producer with interests in platinum-palladium, limestone, oil and gas.



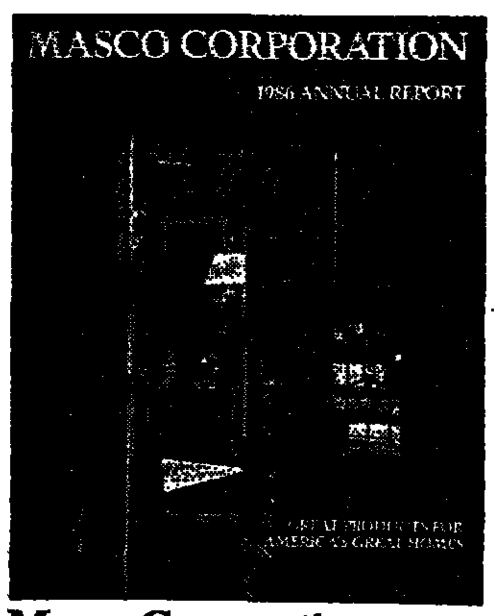
Magna International Inc.

Magna International Inc. designs, develops and manufactures a diverse line of automotive components and systems for sale primarily to original equipment manufacturers.

Our unique corporate culture allows Magna to make a better product for a better price; and that in turn has given us continued growth averaging 30% annually in sales and profits.

In 1986 earnings increased 24% to $47.3 million.

The Company has more than 85 facilities in North America and one in West Germany. Magna is a public company. Its class A shares are listed on the Toronto Stock Exchange and with NASDAQ in the United States.



Masco Corporation

MASCO CORPORATION, a UNIQUE GROWTH COMPANY with leadership market positions, has reported 30 CONSECUTIVE YEARS OF EARNINGS INCREASES. Sales and earnings during this period have increased at average annual compound rates of approximately 20 percent.

Masco manufactures Building and Home Improvement Products and Home Furnishings and Other Specialty Consumer Products.

Send for our 1986 Annual Report to learn why, we believe, Masco's earnings will continue to grow at an average annual rate of 15 to 20 percent annually over the next five years, with our sales in 1991 approaching or exceeding $3 billion.

Part of 3 page series appearing May 6th, 7th and 8th.

Please send me the following Annual Reports:

- ☐ 13 American Brands, Inc.
- ☐ 14 CSX Corporation
- ☐ 15 Elbit Computers Ltd.
- ☐ 16 Engelhard Corp.
- ☐ 17 Federal Industries Ltd.
- ☐ 18 Federal-Mogul Corporation
- ☐ 19 Georgia-Pacific
- ☐ 20 Inco Limited
- ☐ 21 Kraft, Inc.
- ☐ 22 LAC Minerals Ltd.
- ☐ 23 Magna International Inc.
- ☐ 24 Masco Corporation

"I also want these annual reports which featured May 6th and will feature on May 8th."

- ☐ 01 American Brands, Inc.
- ☐ 02 American Express
- ☐ 03 Ameritech
- ☐ 04 Ametek
- ☐ 05 Amfac, Inc.
- ☐ 06 Bank of Montreal
- ☐ 07 Bell Canada Enterprises Inc.
- ☐ 08 Bombardier Inc.
- ☐ 09 Carter Organization, Inc.
- ☐ 10 Charter Medical Corporation
- ☐ 11 Comsat
- ☐ 12 Crossland Savings, FSB
- ☐ 25 American Brands, Inc.
- ☐ 26 Masco Industries
- ☐ 27 Nova, An Alberta Corp.
- ☐ 28 Pegasus Gold, Inc.
- ☐ 29 Placer Development Ltd.
- ☐ 30 Provigo Inc.
- ☐ 31 Reynolds Metals
- ☐ 32 RJR Nabisco, Inc.
- ☐ 33 Royex Gold Mining Corp.
- ☐ 34 Tonka Corporation
- ☐ 35 Transamerica Corp.
- ☐ 36 Triton Energy Corporation
- ☐ 37 Trizec Corporation Ltd.
- ☐ 38 Unicorp Canada Corporation
- ☐ 39 Lincoln National Corp.
- ☐ 40 McDonald's Corp.

Name ____________________

Position ____________________

Company ____________________

Address ____________________

____________________ Country ____________________

Please return coupon by June 30, 1987.

To: Daniel Russell, Financial Times
Bracken House, Cannon Street, London EC4P 4BY, U.K.

Or: Brian Richardson, Financial Times
14 East 60th Street, New York, NY 10022, U.S.A.

Swap opportunities prompt Australian dollar deals

BY CLARE PEARSON

A STRING of Australian dollar deals formed the focus of attention in the Eurobond market yesterday as issues in other currencies were held back by continued concern about the US dollar and the progress of the US Treasury auctions.

Four issuers launched Australian dollar bonds after the opening up of swap opportunities overnight. Two of these were West German banks, which have been active borrowers in this market over the past couple of weeks.

Commerzbank lauuched an A$75m two-year deal for itself, priced at 101⅜ and with a 14¼ per cent coupon, while Bayerische Hypotheken - und Wechsel-Bank led an A$35m 2½-year 14 per cent deal for its Netherlands subsidiary, guaranteed by Hypobank International Luxembourg.

Both issues were quoted within the fees yesterday, but Commerzbank's bond seemed to meet particularly firm demand. It traded at 100⅜ bid, one point below its issue price. It was increased from A$50m.

Orion Royal Bank led a seven-year A$75m 14 per cent deal for Commonwealth Bank of Australia, priced at 101¼. The bond is accompanied by 75,000 warrants priced at A$22 each exercisable into an identical bond at par. This bond may be traded interchangeably with yesterday's issue.

The lead-manager said the bond was likely to sell slowly, since longer-dated Australian dollar bonds have little appeal to retail investors, while institutional buyers have few bonds with which to compare it. The warrants, however, were quoted at around 26 bid.

Hambros Bank led an A$50m five-year 13¾ per cent issue for GMAC Australia (Finance), priced at 101⅞. This traded at around its 2 per cent fees.

Profit-taking in the gilt market after strong advances earlier in the week put the Eurosterling market in an uncertain mood, creating a difficult background for a £50m five-year deal led jointly by County NatWest Capital Markets and Nippon Credit International for Nippon Credit Curacao (Finance).

But the 9¼ per cent bond, priced at 101½, looked generously priced compared with the crop of five-year Eurosterling bonds launched recently. At a bid price of 99¾

INTERNATIONAL BONDS

yesterday morning, it yielded around 40 basis points over the comparable gilt.

In the Eurosterling market Credit Suisse First Boston offered 75,000 debt warrants for British Land, the UK property company, desigend to attract investors speculating on a further fall in UK interest rates. The warrants are exercisable at par into £75m worth of a 10¼ per cent bond due March 2012 for one year. They traded yesterday at around 20.

Nomura International launched a novel deal in the Ecu market, paying interest in New Zealand dollars. It appeared to have been preplaced.

The Ecu 50m two-year bond for Cariplo, the Italian bank, pays coupons on 39 per cent of the principal amount of the bond, using an exchange rate of Ecu 0.527 to the New Zealand dollar. The coupon is then fixed at the mid-rate of 90-day New Zealand bank bills.

Apart from Australian dollars, the Canadian dollar sector is one of the few areas of the market where borrowers can win a double-digit coupon. Credit Canada, led by Goldman Sachs International, only just fitted this bill; the five-year issue carried a price of 101¼ and a coupon of 10 per cent. It was priced 60 basis points above the equivalent Canadian Treasury.

The issue was quoted within the discount implied by its fees, helped by the decision by Moody's the US rating agencv, yesterday to upgrade its rating on the debt of Ford and Ford Motor Credit.

As the US Treasury bond market weakned further, the only US dollar issues were equity-linked.

A $150m convertible for Aluminium Company of America (Alcoa) was given an indicated coupon of 6 to6 ¼ per cent and on indicated conversion premium of 23 to 28 per cent. The callable issue, led by Credit Suisse First Boston, has a 15-year final maturity and was quoted within its fees of 2½ per cent.

Morgan Stanley International led a $70m issue with equity warrants for McDonal's, the US fast food chain. The maturity of the issue is seven years and the warrants are indicated convertible at money over the first three years. The indicated coupon is 2⅞ per cent. Initial strength on Wall Street helped the issue to be quoted at or slightly above its par issue price.

In West Germany, prices rose by up to a quarter point in 10-year maturities in quite active business, amid some bargain-hunting and continuing expectatons that the Bundesbank will shortly lower its repurchase rates.

In Switzerland, bond prices edged higher.

● First Interstate Capital Markets is offering put and call options on two perpetual floating rate note issues, issued by National Westminster and Barclays respectively.

East Asiatic in US venture

THE EAST ASIATIC Company, the Danish international trading and industrial group, has acquired $11m of Baumfolder Corporation, Sidney, Ohio, a leading US producer of folding and cutting machines for the printing and publishing industry, writes Hilary Barnes in Copenhagen.

The US company has 325 employees and a turnover of $35m. EAC said it will be joined in the investment by West German companies Stahl, Ludwigsburg, and Polar-Mohr, Hofheim.

Foreign mining unit for German metal group

By Andrew Fisher in Frankfurt

METALLGESELLSCHAFT, the West German metals and mining group, is to put its main foreign mining interests into a new Canadian-based holding company to be quoted on the Toronto Stock Exchange.

The new company, to be called Metall Mining, is likely to have a value of up to C$400m (US$300m). One-third of the shares will be available to outside investors.

Included in the new holding company, which Metallgesellschaft hopes will be quoted this summer, will be a stake of nearly 20 per cent in Teck, a Vancouver-based mining group (its voting power is larger), nearly 4 per cent of MIM Holdings of Australia, a 7.75 per cent holding in Cominco of Canada, and 7.5 per cent of Ok Tedi, the gold and copper mine in Papua New Guinea.

Holdings in two Australian gold projects will also be included, as well as the German group's 25 per cent interest in the new Cayeli copper and zinc project in Turkey, for which further investment is likely to be needed soon.

Metallgesellschaft said the formation of the new company was aimed at putting its extensive foreign mining interests on a more rational basis and at raising new capital for other such ventures.

Last week Metallgesellschaft filed a preliminary prospectus for the share issue in Toronto, which it views as the logical place for such an issue in view of Canada's importance to its mining activities.

The share price edged up by DM 2 in Frankfurt yesterday on the news of the move, to close at DM 340. Mr Dietrich Natus, the chairman, told the annual meeting that turnover was 16 per cent lower in the first half of the financial year to September 30.

This was mainly because of lower raw material prices, currency movements, and the timing of large plant contracts and was not a true guide to performance.

Mr Natus said the final profit — last year's net income was DM 69.9m — would be satisfactory, with an expected recovery after the first half dip.

Bankers resist Fecsa debt plan

BY STEPHEN FIDLER

FUERZAS Electricas de Cataluña (Fecsa), the Spanish power company, was told yesterday that its move to cut the interest rates it would pay on its more than $2bn of bank debt was unacceptable to its creditor banks.

At a two-hour meeting in London, bankers expressed strong dissatisfaction with Fecsa's unilateral move, announced last week, to lower interest payments to below banks' cost of funds.

The plan, bankers said, was unacceptable and represented an abrogation of responsibility by the Spanish Government, whose statements at the time the loans were being raised had encouraged them to lend.

The meeting, presided over by Mr Luis Magana, Fecsa's new chairman, was attended by about 80 bankers from institutions responsible for some $1.2bn of foreign currency debt. The atmosphere, according to one banker, was "more civilised" than had been generally expected.

Mr Magaña called on the banks to form a steering committee on the debt, but the banks deferred a decision until meetings of the various loan syndicates and among the loan agents had taken place. At the meeting, some bankers said that they would agree to a steering committee only if Spanish government representatives sat on it.

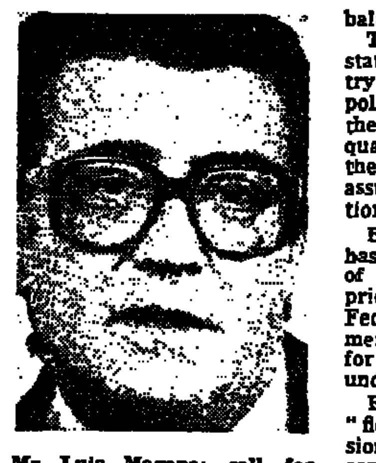
Mr Magaña blamed the utility's problems on a variety of factors, including its expensive investment programme, the need to raise foreign currency loans because of the lack of depth in the peseta market, and the fact that the tariff increases allowed by the Government have been below the rate of inflation.

He said the details of Fecsa's rescheduling plan had not been approved by the Government, but the Government had approved the general objectives.

Fecsa has said it will postpone repayments of principal until mid-1994. It will, until the end of 190, pay 1.5 per cent below London interbank offered rates on US dollar borrowing, 1 per cent below on Swiss francs, and 2 per cent below the appropriate interbank rates on peseta and sterling loans. Only from 1991 would there be a positive spread of ⅛ point. Yen loans would be repaid at 5.5 per cent.

Apart from the unilateral move by Fecsa, the greatest source of anger among bankers has been the role of the Spanish Government in the plan, a role which they say is likely to affect their attitude to other Spanish debt.

Fecsa is a private sector company, and bankers accept that no government guarantee was ever made to bail it out. But they say what has happened with Fecsa is in direct contradiction with two publicly-announced protocols between the Government and the six Spanish power companies.



Mr Luis Magana: call for steering committee

The protocols, bankers say, were designed to clear up the deep problems in the electricity industry which came to a head in the early 1980s. These problems were caused by three main factors: an electricity price depressed for political reasons; a huge investment programme driven by the Government and based on optimistic assumptions about future electricity usage; and the reliance on foreign currency credits which had the useful by-product of providing financing for the Spanish balance of payments deficit.

The first of these protocols states: "The Minister of Industry and Energy shall apply a policy of rates that will allow the companies to obtain an adequate profitability, guarantee the remuneration of capital and assure the adequate appropriation to amortisations."

Bankers say the Government has reverted to its old policies of holding down electricity prices for political reasons. Fecsa has accused the Government of undercompensating it for the various changes made under the protocols.

Bankers also say that "flexible" accounting decisions, which allowed Fecsa to capitalise expenses as an asset to be depreciated later, also took place under the eye of the Government, which oversees the annual returns and balance sheets of the utilities.

"The Government is involved in all these ways with the utilities, yet when there are difficulties which might require some political action, it becomes a private sector problem," said one banker who attended the meeting.

Bankers claim that the government strategy has been wrong-headed and Fecsa's move to lower interest rates will backfire on other Spanish borrowers, which will have to pay higher rates to attract the banks back as lenders. Spanish taxpayers will ultimately suffer, they say.

Simex sees boost from Japan

BY ROGER MATTHEWS IN SINGAPORE

THE SINGAPORE International Monetary Exchange expects to benefit substantially from the Japanese decision announced 10 days ago to permit its domestic financial institutions to deal in foreign financial futures and options markets.

Mr Ng Kok Song, chairman of Simex, said yesterday that the decision was of considerable significance for Singapore because it would allow Japanese institutions to manage their risks within their own time zone.

From May 23 Simex is to introduce Saturday trading for the Nikkei 225 Index futures contract designed to coincide with the opening hours of the cash market in Tokyo. "I believe that we can look for tremendous growth in the amount of futures business done by Japanese institutions," said Mr Ng.

Simex trading volume has been rising steadily over the past few months and is close to achieving the target it had set itself for the spring of 1988 of an average of 10,000 contracts daily. During April the average was 9,610 contracts, of which nearly 7,600 were for the Eurodollar.

Trading in the Nikkei futures contract, launched only eight months ago, is picking up after a slow start but with the greater participation still coming from non-Japanese institutions. Mr Ng expects this trend to be reversed, encouraged by a determined marketing drive by Simex in Japan.

Before the latest Japanese liberalisation move only overseas branches and subsidiaries of financial institutions were permitted to trade on foreign futures markets.

The growing interest in the Singapore futures market is being reflected in the demand for seats on Simex, with the latest asking price understood to be more than S$70,000 (US$33,000) compared with S$50,000 at the beginning of the year.

Mr Ng accepted yesterday that the number of seats would have to be increased but stressed that this had to be achieved without over-diluting the value of current seats. "The first buyers showed faith. They are entitled to a good return on their investment. We now have to strike a balance between them and our need to expand."

£300m facility for Halifax

By Alexander Nicoll

HALIFAX Building Society has mandated Morgan Guaranty to seek a £300m revolving credit facility, containing provisions to ensure that it will always be at least partially drawn.

The five-year loan carries a commitment fee of 6.25 basis points. Drawings in sterling will be at 5 basis points above London interbank offered rates, with the borrower bearing the full costs of the banks' maintenance of mandatory liquid assets. Drawings in other currencies will be at 8.5 basis points above Libor. Front-end fees will range up to 10 basis points.

Separately, Capital and Counties, a UK property company, has signed a £100m multi-option facility led by J. Henry Schroder Wagg

MIM puts off Highlands Gold flotation

By Stefan Wagstyl

MIM HOLDINGS, the Australian mining group, has postponed the planned date of the flotation of Highlands Gold, its Papua New Guinea gold interests worth an estimated A$600m (£253m—US$428.5m), because of political controversy over the issue in Port Moresby, the capital.

The float, originally planned for March, will now probably take place soon after the Papua New Guinea general election scheduled to be held in June and July.

The Papua New Guinea coalition Government has been divided over the issue. Some ministers have pressed for a rapid flotation while others have wanted a delay in order to avoid any possibility of a scandal over the distribution of the shares in advance of the election.

There is also an argument between MIM and the Papua New Guinea Government over the proportion of shares to be reserved for Papua New Guineans. MIM initially offered 4 per cent, while the Government demanded 20 per cent, but the gap has narrowed considerably during negotiations.

MIM intends to float some 40 per cent of Highlands Gold, retaining the rest. Highland Gold's biggest asset is a one third stake in Porgera, one of the world's largest undeveloped deposits in the remote Highlands of central Papua New Guinea.

The main consolation for MIM is that as a result of the delay the stock market value of Highlands Gold has risen greatly. The Australian All Gold Index is some 70 per cent higher than it was in February.

Macao acts on offshore banking

MACAO published an offshore banking ordinance yesterday in a move that sets the legal framework needed to attract such business to the Portuguese-run territory, Reuter reports from Macao.

The new regulations supplement existing banking rules and require offshore banking units to maintain capital of at least 15m patacas.

Offshore banking units will be permitted to lend to non-residents without being restricted by the current ceiling of one-third of allocated capital to a single borrower or borrowing group. They also will be exempt from a 3 per cent liquidity ratio required of other banks.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on May 6

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change ... on day +0⅛ on week −0⅝

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change ... on day +0⅛ on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change ... on day +0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change ... on day −0⅛ on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change ... on day +0.16 on week +0.10

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTL. COMPANIES AND FINANCE

Imasco hit by special charges

By Robert Gibbens in Montreal

FOURTH-QUARTER and fiscal 1987 earnings of Imasco, the financial services, fast food, tobacco and retailing group controlled by BAT Industries of the UK, were reduced by C$29m special charges for restructuring of Peoples Drug Store in the US and the closure of a cigarette plant in Canada.

Net operating profit for the year to March 31 was C$212.6m ($158.4m), or C$1.73 a share, against C$261.7m or C$2.40 a year earlier. Revenues were C$5.6bn, up from C$5.3bn.

Operating net profit for the latest quarter was C$37.6m, or 28 cents against C$51.3m, or 47 cents. Revenues were slightly ahead to C$1.3bn from C$1.28bn. The quarterly and full time figures exclude the C$29m special charges.

Lego Group profits decline

EARNINGS by the Lego Group, the Danish manufacturer of toy plastic construction kits, fell from DKr 341m to DKr 210m ($31.3m) before tax despite an increase in sales by 20 per cent to DKr 2.38bn.

Pan Am cuts first-quarter loss as traffic increases by 10.3 %

BY ANATOLE KALETSKY IN NEW YORK

PAN AM, parent company of the US international airline that is perenially money-losing, showed losses of $93.6m after tax in the first quarter, compared with a deficit of $118.4m a year earlier. The improvement was mainly the result of stronger traffic and a 27 per cent decline in fuel and oil costs.

The airline's traffic was up 10.3 per cent in the last quarter, compared with the corresponding period last year. Much of this apparent improvement was attributable to the shuttle service introduced between New York, Washington and Boston on October 1.

The group acquired the gates and landing slots for this service last autumn from Texas Air's New York Air subsidiary, when Texas Air bought Eastern Airlines, the leading eastern seaboard shuttle operator.

However, Pan Am predicted on Tuesday that its traffic would increase strongly in the summer months. Year-on-year comparisons of the collapse in transatlantic tourist travel last summer after the wave of terrorist attacks on US citizens in Europe.

Another factor in the latest quarter's slightly improved results was a decline in foreign exchange losses from $19.3m to $15.8m. These were primarily due to yen-denominated debts which Pan Am took on in financing aircraft replacements – a financial miscalculation which has been costing the company dearly now that the yen has risen sharply

NORTH AMERICAN QUARTERLY RESULTS

ATARI
Home computers

First quarter	1987 C$	1986 C$
Revenue	85.1m	44.9m
Op. Net profits	9.4m	1.8m
Op. Net per share	0.32	0.06

BALLY MFG
Hotels, Casinos

First quarter	1987 C$	1986 C$
Revenue	380.8m	345m
Op. Net profits	†19.3m	5.9m
Op. Net per share	†0.70	0.21

† Loss

CAMPEAU
Property developer, retailer

Year	1987 $	1986 $
Revenue	1.38bn	213.9m
Net profits	14.2m	27.9m
Net per share	0.28	1.37

DOFASCO
Steelmaker

First quarter	1987 $	1986 $
Revenue	557.2m	510m
Net profits	32.9m	35.5m
Net per share	0.47	0.53

DEFENCE AEROSPACE

First quarter	1987 $	1986 $
Revenue	252.2m	226.1m
Net profits	21m	20.3m
Net per share	0.60	0.64

GOULD
Electronics

First quarter	1987 C$	1986 C$
Revenue	227.4m	228.3m
Op. Net profits	5.6m	14.5m
Op. Net per share	0.13	0.32

GULF RESOURCES & CHEMICAL
Energy, Resources

First quarter	1987 C$	1986 C$
Revenue	71.9m	33.4m
Op. Net profits	24.9m	†10,000
Op. Net per share	2.51	†0.01

† Loss

HARLEY-DAVIDSON
Motorcycles

First quarter	1987 $	1986 $
Revenue	162.4m	79.4m
Net profits	3.7m	†180,000
Net per share	0.53	†0.04

† Loss

TECK
Mines

Six months	1987 C$	1986 C$
Revenue	95.2m	98.4m
Net profits	13.2m	11m
Net per share	0.24	0.19

AIBD BONDS INDICES
WEEKLY EUROBOND GUIDE MAY 1 1987

	Redemption Yield	Change on Week	12 Months High	12 Months Low
US Dollar	9.289	0.335	9.619	8.440
Australian Dollar	14.274	−0.182	14.735	12.830
Canadian Dollar	10.204	−1.239	10.819	9.372
Euroguilder	6.076	−2.158	6.250	5.804
Euro Currency Unit	8.557	0.932	9.041	8.164
Yen	5.597	1.157	6.702	5.218
Sterling	9.667	0.114	11.609	9.655
Deutschemark	5.968	−0.017	6.652	5.954

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BUSINESS LAW

Tin litigation: the UK's wrong priority

By A. H. Herman, Legal Correspondent

THE LEGAL circus set in motion by London tin brokers and banks and by the 22 governments which owe them some £900m out of the collapse of the International Tin Agreement (ITA) is now getting into full swing. A multitude of legal actions, mainly in the High Court in London, provide profitable occupation to 55 barristers, 35 in silk robes and much more highly paid than the remaining 20 in ordinary cloth. Behind them, pulling the strings, are 15 of the largest London firms of solicitors. In due course we all, taxpayers of many countries, will pay for this litigation between parties, none of whom attracts any great sympathy.

The governments disgraced themselves by a failed attempt at international price-fixing, topping economic folly with mismanagement, wrongful trading and default on commercial debts. The brokers and banks, who should have known better, hoped for a free ride on taxpayers' account.

It is, therefore, neither the plight of the creditors nor the arrogance of the debtors which is a cause for concern, but rather the danger that the affair might undermine the rule of law and confidence in London contracts. In a world where governments increasingly engage in trading, a decision that debts which they incurred through an organisation established for joint trading on the London market are unenforceable would bring English commercial law into disrepute.

One can understand that other governments do not feel immediately interested in preserving the reputation of English commercial law and of the London market place. Indeed, some may welcome the opportunity to establish markets elsewhere. But when the British Government supports their pleas and indeed takes a leading role in arguing that English courts can offer no help to the creditors, it surely has its priorities utterly wrong. Though no longer a superpower militarily, the UK is still a great trading nation, vitally interested in maintaining the rule of law over international trade and upholding confidence in the London market. The fiscal interests must take second place after the primary purpose of the government which is to maintain the rule of law.

There is no doubt that throughout this affair the British Government has been willing to pay its share of the debts, and possibly little more. At the beginning it put a settlement proposal on the table prompted by the desire to keep the London tin market going and to prevent a crash of the tin price by a panic liquidation of stocks. However, now that these considerations are no longer pressing, it seems that the government actions are dictated by the dynamics of the litigation and that it has lost sight of a wider purpose and objective. The need to defend actions which threaten the British Government with joint liability for the debts of other states seem to have afflicted the Treasury and government lawyers with tunnel vision. This can be explained psychologically but hardly justified politically.

The first aim must clearly be to uphold the rule of law, even if it should saddle the Treasury with joint liability for the debts. The loss need not be all that great as a clear determination that the buffer stock operation was of a commercial nature would open to the Treasury the possibility to seek pro-rata contributions from other governments, if necessary in English courts.

In the run up to the election the Government mind find it hard to admit that it has to pay up for the neglect and incompetence with which the International Tin Council (ITC) was run. But not to do it, and instead to appear in courts on the side of those who try to escape their commercial obligations by weaving a fantasy web of a "new economic order" in which commercial disputes can be resolved only diplomatically may prove to be a much more dangerous boomerang. Moreover, the Government runs not only the risk inherent in a wrong strategy—it may yet end with seeing it defeated in its own courts.

In the first round of hearings now in progress the debtor governments, assisted by the European Commission, try to get the actions set aside, arguing that the claims are not of a sort on which English courts can properly decide; that the business of the ITC was taking place not on the level of English law but on the "higher level" of international law; and that it can be, therefore, settled only by diplomatic means or perhaps by a recourse to the International Court of Justice in the Hague.

The debtors' spokesmen concede that if the governments which form the ITC traded directly on the London tin market, they would not be protected by sovereign immunity. However, they argue, the governments were trading through the ITC with which their relation was not commercial but governmental and consequently is outside the reach of English courts. There is no point, they argue, in appointing a receiver to the commercial assets of the ITC, because the claims which ITC has against the member governments are not of a commercial nature and there are no other assets.

What a fantastic idea! If it receives the blessing of a High Court judge—and of the Law Lords in due course—every state trader will rush to interpose an "international body" between himself and the little private traders or bankers. Opec, an association of South American states created for the purpose, Comecon and even the permanently broke European Community may yet find a new raison d'être. Buy and borrow through an international organisation and you will never have to pay up!

However, if the courts stick to their business and refuse to listen to diplomats this debtor's paradise is not yet round the corner. An English judge will want to have several questions answered before he opens the heavenly gate.

1—With which law have the contracts closest connection? The trading was done in London, on standard contracts of the LME. The ITC was given legal personality by UK statute, which obliged it to include an arbitration clause in its contracts with British residents and provided for the enforceability of the arbitral awards. The answer is: English law.

2—Was the funding of the buffer stock operation separate from, or part of the dealing on the LME? It was clearly an indivisible part of it. Without it there would be no such dealing.

The dealers and banks that granted credit to the buffer stock manager did so in the legitimate expectation that member governments will make good any deficit. These governments formed a steering body which the buffer stock manager had to obey. They exploited for their own purposes the confidence which their decisive influence on the conduct of the business generated. Those who flaunt their influence for their own profit are liable to those who relied on it, if things go wrong.

3—What law governed the relationship between the ITC and its members? The financing of commercial deals on the London market is subject to English law unless the parties agreed something else. Without doubt English law applied whenever the dealing exceeded the framework of the ITA. The governments were then trading as an unincorporated partnership. As long as they kept within the limits of the agreement, one would have to consider any special rules regarding their mutual legal relations imposed by this agreement, which can be said to be part of international law.

4—Would the fact that part of the business relations involved was governed by international law affect the jurisdiction of English courts? By no means, English courts are perfectly able to apply Chinese, Soviet, international and even French law—the only difference being that they treated it as an issue of fact, to be proved by evidence instead of argument.

5—Can international law, in this case the ITA, affect the rights derived from business deals in the UK or deprive them of the possibility of enforcement in English courts? There is no doubt whatsoever that such limitation or deprivation of rights can be effected only by an act of Parliament and not by a treaty concluded by the government.

6—Was the relationship between the member states and the buffer stock manager of a commercial nature bringing it within the exemption of the Sovereign Immunity Act 1978 or was it of a governmental nature and consequently immune? The answer is immediately obvious if we consider the situation of a single government which appointed an agent to buy and sell tin on the London market. The relationship would be clearly commercial—whatever political motives the government might have had for such trading. The situation is essentially the same when several governments appoint such an agent jointly. The relationship consisting of instructions to buy and sell to support prices is a commercial relationship.

These questions and answers appear to be fairly straightforward. Yet, as the Law Lords decisions in Westinghouse and Ramasa show there is still much mystery left on the interstice of national and international law. For this reason I would like to support the appeal of the University of Edinburgh for funding a chair in international public law. They seek to raise up to £650,000, about 0.07 per cent of the £900m that British companies may lose in the present litigation as a result of insufficient academic clarification of the issues.

APPOINTMENTS

Group finance director of Tilcon

Following the retirement of Mr Derek Chapman, TILCON, international construction materials subsidiary of BTR, has appointed Mr Derek Wild as group finance director. Mr Wild was with Tarmac oil and industrial division as finance director. Tilcon has appointed Mr Ian Davidson as director of personnel in succession to Mr R. J. Ray, who has retired.

★

A member of GEC's senior management group in the UK is to head ELEQUIP, Leicester-based engineering and electronics group acquired by Silvermines from Pearson earlier this month. Mr Clem Jansen is to resign as managing director of GEC Electrical Projects and as associate director for Automation on the UK board of management of GEC to join the holding company for Silvermines engineering investments, PGM Group, from June 1. His special responsibility will be the development of Elequip.

★

NEXT has appointed Mr Peter Lomas as group finance director. He succeeds Mr Robert Cooper. Mr Lomas joined Grattan as finance director in 1982, and joined the Next board when Grattan merged with Next in July 1986.

★

WATERGLADE INTERNATIONAL HOLDINGS has appointed Mr Michael D. Ewing as finance director. He joined in February and was a senior manager with Touche Ross and Co.

★

Mr Roger Cortis is to become chairman of PAPER SHOPS (EAST ANGLIA), retailing subsidiary of Eastern Counties Newspapers Group. He will continue to be financial director of ECNG.

★

SCHWARZKOPF has appointed Mr H. J. Hamm as chairman.

★

Mr Donald Davenport has been promoted to assistant managing director of the SUTCLIFFE CATERING GROUP. He will maintain his responsibility as managing director of Sutcliffe Catering South for the present.

★

Mr Colin Adams has been appointed a director of G. PERCY TRENTHAM, with responsibility for sales and marketing. He was on the board of Trentham Building Services.

★

Mr Alan Clark, chairman and chief executive of Collier Motor Holdings, Birmingham, has been elected president of the MOTOR AGENTS ASSOCIATION. Mr James Smillie, chairman and managing director of Stratstone, becomes deputy president.

★

TELEPHONE CABLES, part of the GEC Group, has appointed Mr D. M. Reid as finance director and company secretary, and Mr R. D. Bradnam as technical director. Mr Reid joins from J. John Masters and Co., where he was finance director. Mr Bradnam joins from the Marconi research centre where he was manager of the hybrid systems division. The company has launched its submarine optical fibre cable business as a separate division. Mr Gerry Boothroyd, formerly with STC, has been appointed general manager of the new division, GEC submarine communications.

★

Mr Paul Newby has been appointed a director of MICROWAVE SYSTEMS, Hitchin, Hertfordshire. He was general manager of MSL Calibration Centre.

★

Mr J. A. Denholm and Prof R. B. Jack have been appointed directors of THE SCOTTISH MUTUAL ASSURANCE SOCIETY. Mr Denholm has recently been re-appointed for a second term as chairman of East Kilbride Development Corporation. Prof Jack, a senior partner in a leading firm of solicitors, is part-time Professor of Mercantile Law at the University of Glasgow, a director of the Bank of Scotland and a lay member of The Securities Association. These appointments follow the retirement of Prof T. Wilson and Mr H. A. Whitson.

UK COMPANY NEWS

Marks and Spencer beats expectations with £432m

BY CLAY HARRIS

Marks and Spencer increased pre-tax profits by 18 per cent to £432.1m last year against a previous £365.8m on the strength of an improved second half which enabled it to exceed market expectations.

The retailer's shares added 12p to 246p yesterday.

Group turnover increased by 13 per cent to £4.22bn (£3.73bn) in the year to March 31. UK retail sales rose by 12.2 per cent to £3.81bn (£3.4bn), with volume gains accounting for three-quarters of the increase.

Clothing turnover rose by 13 per cent to £1.87bn, food by 9.5 per cent to £1.49bn and home furnishings by 18.5 per cent to £447m. Pre-tax profits on UK retailing advanced by nearly 20 per cent to £415.1m (£346.3m).

The Chargecard operation, now with 1.1m accounts, reduced its losses from £10.2m to £5.7m and was on target to make profits in the current year. Financial services as a whole showed a £4.8m pre-tax profit against a £5.1m loss.

The proportion of UK turnover charged to the card rose from 8 per cent to 11 per cent. M and S is to buy the 130,000-customer Budget Account operation from Citibank Savings next month.

Exchange-rate movements inflated the sterling improvement in results from continental Europe, where sales rose by 27 per cent to £119.4m and pre-tax profits by 25 per cent to £13.3m.

The pound moved the other way against the Canadian dollar, further depressing pre-tax profits, which fell from £8.9m to £3.7m for a period which included two extra months in order to synchronise the Canadian reporting period with the group's.

Those two winter months contributed a trading loss of £2.2m, not uncommon for the season, M and S said.

Nevertheless, the Peoples division in Canada suffered heavy stock writedowns and information technology costs to cut its pre-tax profit to less than one-fifth of the previous year's level.

M and S is focusing on the US and Hong Kong for its next overseas expansion.

The UK investment programme in the four years to March 1990 is now expected to cost only £1.1bn, instead of the £1.5bn originally predicted, according to Mr Keith Oates, finance director. The actual projects, however, are unchanged.

"We are finding ways of lowering unit costs when we come to do a modernisation or expansion," he said. Capital expenditure of £223m in 1986-1987 was below budget, but M and S expects to spend £350m this year. Selling space was increased by 6 per cent in 1986-87.

Net interest received fell to £6.6m (£12.5m), but this was more than offset by £6.2m profit on the sale of two leasing subsidiaries. A lower tax rate produced a charge of £156.2m (£141.3m).

Earnings per share advanced to 10.4p (8.4p). A final dividend of 3.1p (2.65p) will make a total of 4.5p (3.9p).

See Lex

Mountleigh pays £365m to purchase Stockley

Mountleigh, the Yorkshire property group, yesterday clinched its biggest takeover when it agreed terms to purchase Stockley in a cash and paper deal worth £365m.

After an all-night negotiating session, which was nearly trapped in an early hours impasse over the terms of a loan note alternative, Mr Tony Clegg, the Mountleigh chairman, agreed a package covering both the European Ferries 29.9 per cent stake in Stockley and the balance of the equity.

The cost of the package was strongly influenced by Mountleigh's need for speed. There was another suitor for Stockley in the wings. It is believed to have been Hong Kong Land.

The chief elements in the package, which, as Mr Clegg put it, "was at the top end of our range," are:

- European Ferries will receive £106.48m, or 120p a share, for its stake, but has agreed to take up to £10m worth of new Mountleigh shares;
- Other Stockley shareholders will be offered nine Mountleigh for every 17 shares they hold—an arrangement based on a Mountleigh price of 275p a share that in turn values Stockley shares at 145.6p;
- A cash alternative to the ordinary share offer of 135p for each Stockley share;
- Stockley shareholders accepting Mountleigh paper can sell their new Mountleigh shares to Phillips and Drew at 255p each;
- A loan note alternative, which is restricted to £60m in total. The notes carry interest to give approximately a par value at issue, and final redemption is three years after the date of issue;
- An issue of Stockley 7 per cent convertible preference shares, held by J. Rothschild will be bought out at the rate of 48 new Mountleigh shares, or £122.40 cash, for every 17 convertibles.

If the offer is fully accepted, it will mean the issue of 105.4m new Mountleigh shares, the equivalent of some 66 per cent of its fully diluted share capital.

The share element of the offer has been pitched at a premium of 21.6p over Stockley's closing price on Tuesday, while the cash element carries a premium of 11p. On the market yesterday Stockley shares moved towards the cash offer price and closed for a gain on the day of 7p at 132p. Mountleigh shares fell 16p to 261p.

Mountleigh is now in sight of gaining control of a property portfolio which includes the Stockley Park business complex at Heathrow, now under development, and interests in two major City of London sites—Beaufort House and Paternoster Square, adjacent to St Paul's Cathedral.

The Clegg style is to realise the value of it as quickly as possible. "We will trade out a major part of it. We're not wanting to be a major developer," he said.

The joint ventures in the City are likely to be seen through before any sales decisions, but disposal of properties where Stockley is the sole owner are expected over the next few months.

Mike Smith on the background to the rival bid for CES

Next presses its £325m suit

JUST AS jewellery group Ratners was tying up its agreed £302m offer for Combined English Stores last Friday a rival suitor was putting the finishing touches to its own marriage proposal.

During the past three months Mr George Davies, chief executive of Next, the fashion shops and mail-order group, has had his scouts in and out of more than 75 per cent of CES' 577 stores. He liked what they reported.

Early yesterday Next put in its own offer—which at £325m beat the Ratner bid by £23m—and the bid was almost immediately accepted by CES. Analysts feel Ratners will have difficulty improving it without diluting its earnings per share.

The Next offer comes less than a year after the group's last major acquisition, that of mail-order company Grattan for £300m last July. That it could take such a step so soon — and then see its share price fall just 15p to 328p—is a measure of the vast distance it has travelled since the early 1980s when it was a rather humble menswear retailer called Hepworth.

At that time it was feeling the strain in the face of intense competition from the likes of the rejuvenated Burton Group. Its own changes began when it bought womenswear shop Kendalls, ironically from CES, and brought in Davies to run it.

Mr Davies has worked one of the most dramatic transformations of the retail sector. Hepworth was making pre-tax profits of £3.9m in 1981-82; the Next group which has emerged from it could hit £100m in the current year if the CES merger goes through. Today's market capitalisation of £850m compares with about £42m at the end of 1982.

The Davies strategy was to aim quality goods at clearly defined targets and back it up with highly-polished marketing and design techniques. It was tried and tested on working women in the 25-45 age group but has since been transferred successfully to menswear. The group has also opened specialist furnishing, lingerie and shoe shops. A chain for children is being planned.

"Next has excelled at new product development and the business is growing crazy," said one analyst yesterday. "The problem is picking up enough sites from which to sell."

Mr George Davies, chief executive of Next

If the deal goes ahead Next would add about 700,000 sq ft to its 1m sq ft of retailing space. Mr Davies said yesterday the group could convert 200,000 sq ft of the new space to its own retailing formula every six months.

The deal has other attractions. Not least, Next could use Biba, CES womens fashion shops in West Germany, as a launch pad into Europe. Last year Biba made about a quarter of CES pre-tax profits of £21.8m and analysts rate it highly.

Salisbury's, the 150-store fashion accessories chain, also has a strong reputation and Next ist likely to keep the name. There is, however, room for improvement through use of Next's marketing skills.

Mr Davies said yesterday that he planned to dispose of the Allens pharmacy chain and CES's wholesale businesses. He does, however, plan to develop the CES jewellery retailing businesses which last year comprised less than a quarter of the CES trading profits.

"We can see an attractive futre for the upmarket Zales business through our Grattan jewellery interests, and through our accessories division," he said. The Collingwood and Weir shops would be reviewed to see if they could be moved into the Zales chain.

Analysts were speculating yesterday, that Ratners may approach Next with a view to buying some of the CES jewellery interests. The indications from Next camp, however, were that the group would wish to use all of the jewellery sites in various parts of the group.

Redfearn hits £1m at six months

Redfearn National Glass continued the improvement in profitability of the past two years through the opening six months of 1986-87, raising its profits for the period from £483,000 to £1.1m at the pre-tax level.

In the light of the results the directors are doubling the interim dividend to 3p net per 25p share.

During the second half the Yorkshire-based group, manufacturer of glass and plastic containers, would be rebuilding its largest furnace which would incorporate many design improvements.

The directors pointed out that improving trends of quality and output were highly significant in the context of a competitive market place and added that they were confident of achieving their objectives for the year.

The opening six months, to March 29, saw turnover rise from £27.39m to £31.19m and operating profits push ahead from £1.05m to £1.48m. Pre-tax profits were struck after taking account of a £196,000 reduction in interest charges to £375,000.

Tax of £132,000 (£38,000) and an extraordinary credit last time of £412,000 left attributable earnings at £968,000 against a previous £857,000.

Earnings per share worked through 8.61p higher at 15.88p.

The glass division recorded pre-tax profits of £891,000 (£317,000) on sales revenue of £25.8m (£23.4m). The directors said that sales revenue included the benefit of some price increases but in general, there had been a return to greater stability of pricing.

The plastics sector achieved a pre-tax profit of £209,000 (£166,000). Sales revenue totalled £5.4m (£4m), reflecting a strong level of demand and an increasing level of consumption of soft drinks in the market place.

Margins were lower than those of the first half of the previous year but the directors said these should be restored following additional capital expenditure due later this year.

Comparative results have been restated in accordance with the requirements of SSAP 21.

● comment

Redfearn National Glass currently basks in the warm glow that only the tripling of a company's share price in seven months can bring about. This distinction is shared, more or less, with fellow glass container manufacturers Beatson Clarke and Rockware. What these companies have in common are the benefits of higher glass volumes/better margins as imports have been beaten back. There have also been gains at the expense of United Glass, the market leader, as some drinks companies choose to steer clear of the Guinness-associate. However, glass is not where the excitement is in packaging—and the restoration of a reasonable profits flow from it is supposed to be fuelling the plastics expansion. This has been a bit slow in coming through at Redfearn, although the inhouse sourcing of raw materials in the second half will boost margins. Expect £3½m for the full year, putting the shares at 557p on a prospective multiple of 12—clearly Redfearn is no longer a recovery stick. An acquisition is possible but for cash only as Ron Brierley, with 24.5 per cent bought at less than 90p a share, has a long record of disliking share issues by his investments.

St. Ives surges 33% to £5.3m

St. Ives Group, the book and magazine printer which took to the takeover trail again in April after a year of consolidation, yesterday reported a 33 per cent improvement in pre-tax profits to £5.27m for the six months to end-January 1987.

The directors said that during the period substantial benefits had accrued from the integration of the original magazine division with the business of Chase, located in four factories in the West Country, and also with the magazine printing factory in Peterborough, formerly part of EMAP.

It was pointed out that there had been considerable organic growth in terms of increased sales. The total number of new magazine contracts won since the beginning of the financial year had now reached 106.

In the book division the effects of rationalisation were beginning to show through in the trading figures.

Figures of Riverside Press, taken over in April, will be included in the year-end figures under merger accounting principles.

Group turnover for the opening half year rose from £34.8m to £40.43m. Basic earnings worked through at 14.2p (10.3p): fully diluted they amounted to 12.1p (8.8p). The interim dividend is lifted from an equivalent 1.5p to 1.75p per 10p share.

● comment

It is the good fortune of St Ives' shareholders to have a stake in a company regarded as one of the best managed in this buoyant sector of the market. With Riverside about to be merger accounted for the full year and organic growth continuing at an annual rate of 25-30 per cent, another leap in pre-tax profits to £12.5m is in sight. Yet St Ives' virtues are too well known to have been overlooked in the share price: up another 22p to 670p yesterday, it is on a multiple of 25 times the current year's fully diluted earnings. Next year will see better use made of Riverside's surplus capacity with all the consequent benefits at the margin, and the enlarged Penguin and Pan contracts will also be making an impact. If £16m were achieved, the 1988 p/e would come down to a more reasonable 19, but even then it seems to be assuming that more good acquisitions are in the pipeline. It may be right—packaging, stationery or security printing are the next target areas—but it is likely to mark time till they happen.

Nurdin profits disappoint City

Nurdin and Peacock, cash and carry wholesaler, boosted pre-tax profits from £15.72m to a record £17.65m in the year to January 3 1987 but disappointed analysts who had predicted profits of between £18m and £18.5m. Turnover moved ahead from £727.77m for the 53 weeks to January 4 1986 to £839.34m.

Mr Michael Peacock, chairman, said that he was optimistic about the current year but that the company had had to overcome two setbacks in the early part: the bad weather in January, which had delayed post-Christmas restocking and caused the temporary closure of some branches; and the heavy stocking up in expectation of a duty increase in the Budget, which had not materialised. The cost in interest terms was "bound to be substantial."

The recommended final dividend is 2.85p (2.4p), making a total of 4.85p (4.05p) for the year. The directors are also recommending a scrip issue of one ordinary share for every four held.

Mr Peacock said that one of the main features of the year has been the outstanding success of the Happy Shopper brand. There had been substantial launch costs but the result has been the establishment of a popular brand, generating volume sales and traffic flow. These have been extra sales and not at the expense of branded products, which had continued to sell well.

The other trading innovation during the year was the launch of Nurdin's exclusive-label beers led by Royal Standard lager. This has become the company's biggest-selling brand of beer.

Mr Peacock reported that the company's new branch at Wolverhampton, which opened in March last year, set new sales records from the start. Construction of the new branch at Paignton and the Waltham Abbey replacement at Epping were progressing well and work recently started on a new branch at Derby. The company was also extending its Dagenham branch.

He added that the increase in size, coupled with the continual modernisation of our branches has been an essential feature of our strategy over recent years.

"A great deal of time and money has been and continues to be spent in other ways, gearing up the organisation for an increased rate of expansion," he said.

Tax charges amounted to £6.51m (£6.49m) and attributable profit to £11.14m (£9.23m). Earnings per share worked through at 14.7p, up from 12.3p last time. Profit for 1986 was struck after providing £1.13m (£1.01m) for the employees share participation scheme.

● comment

The City reacted rather savagely to the news that Nurdin had been unable to supply some depots due to bad weather in January, and that the company would face substantial interest costs from a (with hindsight) unnecessary stock build-up prior to the Budget. These costs could be as high as a net £1m in the first half. The company's shares closed at 211p, down 15p. Given that last year's first half result was buoyed by special factors, expectations that this year's interim figures are likely to be down wil be doubly so after yesterday's announcement. But to concentrate on that would do a disservice to the most highly rated cash and carry company in the country. Profits up 12 per cent on turnover up 16.5 per cent after adjustments, and slightly improved net margins, is a fairly impressive record, given the small returns in this high volume business. The move into "exclusive label" products, such as Royal Standard lager, also seems to be paying off which could have useful bottom line effects in the future. But with pre-tax profits expected to nudge £19m this year, the prospective p/e of around 13 seems reasonable.

Garnar bid battle hots up with Panel complaint

By Nikki Tait

Kleinwort Benson, advisers to Hillsdown Holdings—the acquisitive food-to-furniture group which is currently making a £25.6m offer for leather manufacturer, Garnar Booth—has complained to the Takeover Panel about the share price rise of rival bidder, Pittard.

Pittard's shares — which closed 13p higher at 324p yesterday—have risen 39p since Hillsdown launched its competing bid for Garnar eight days ago. During that time, Pittard has passed the first closing date for its own offer, receiving acceptances from holders of 35.9 per cent of Garnar's shares. Its offer has now been extended until this Friday, but has not been declared final.

Yesterday Pittard's advisers, Hill Samuel, made clear that there was no buying by the bank or Pittard's brokers, Cazenove. "I don't know why people are buying," said Mr John Leek at Hill Samuel, "but they are continuing to do so. It is an absolutely first class group, so people may be trying to get in while the shares are cheap."

Pittard's terms are paper-only and currently value Garnar at £26.9m or 275p a share. Hillsdown's paper terms are worth 262p a Garnar share and it is also offering 255p in cash.

Meanwhile, Mr Paddy Ashdown, Liberal MP for Yeovil, where Pittard is based, yesterday called on the Secretary of State for Trade and Industry to refer the Hillsdown bid to the Monopolies Commission.

Bremner egm set

Bremner, the property and stores group, has set July 23 as the date for its extraordinary general meeting at which dissident shareholders will attempt to unseat the board. An earlier move in March failed when Mr James Rowland-Jones, Bremner's chairman, obtained a court order disenfranchising Malaga Investments, a group of investors associated with City and Westminster Financial which owns 27.4 per cent.

The order has since been lifted and Malaga can now attempt to replace Mr Rowland-Jones with the City and Westminster team.

Cityvision to raise £2.45m

BY TERRY POVEY

Cityvision, the video film distribution company run by Mr David Quayle, yesterday announced plans to raise £2.45m to fund the establishment of the first national chain of video rental shops.

The USM-quoted company, the shares of which have been suspended since April 27 pending this announcement, was formerly known as Intervision. However, since last summer Mr Quayle, the Q in the B&Q do-it-yourself chain which he founded in 1969, and others took over the running of the company from Mr John Bentley.

The funds being raised are to be used to acquire four private video shop operating companies with a total of 40 outlets in the Midlands, London and the south east. Mr Quayle said yesterday that his experience in forming the first national DIY chain had led him to see the possibilities of something similar in the video rental world.

In total the vendors of the four companies—Ritz Leisure, Lee Leisure, Mega Movies (which is owned by Mr Quayle) and Pebbletape—are to receive 4.77m Cityvision shares of which 1.29m are being placed at 55p.

Conditional arrangements have also been made by Capel-Cure Myers to place a further 5.26m shares to raise £2.45m after expenses. Existing shareholders are being offered first refusal on the 6.55m shares being placed at 55p on a three-for-10 basis. The shares were suspended at 62p.

At present Cityvision operates the Video Serve instore rental racks situated in many off-licenses, petrol stations and armed forces shops. Mr Quayle said yesterday that with the 40 outlets, Cityvision would be the largest single purchaser of pre-recorded video tapes in the UK.

Mr Quayle believes that the video rental market, which has seen considerable rationalisation over the last two years, is growing rapidly—as reflected in the sharp rise in the installed base of video recorders, almost one home in two owned one in 1986 compared with just over a third in 1984. "We expect to have 70 outlets by the end of the year, and maybe 100 by 1988," he added.

Cityvision expects that dealings in its shares will recommence today.

Forward Group advances

Forward Group, the supplier of specialised services to the electronics industry which came to the USM in February, exceeded its forecast of £900,000 at the time with pre-tax profits up from £558,000 to £912,000 in the year to January 31 1987. Turnover rose from £2.42m to £3.2m.

Tax charges took £343,000 (£226,000) and £38,000 (£20,000) for a prior year. Earnings worked through at 8.13p (4.74p) before the prior year adjustment and 7.59p (4.46p) after it.

Souza Cruz £8.5m profits

Souza Cruz, 75 per cent-owned Brazilian subsidiary of BAT Industries, reported net profits of Cz 361.4m (£8.5m) in the three months to March 31 1987.

Last year was divided into two-month and 10-month accounting periods, so comparisons are not available.

The directors said that although the figure represented real growth it was still not sufficient to restore profit to its level in the first quarter of 1985.

Net profit per 1,000 shares amounted to Cz 23.6.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Capital Radio ....int	2	July 3	—	—	—
City of Oxford	1.15	June 23	1.1	1.75	1.6
Fundinvest .... int	3.41	—	2.67	—	7.48
Joseph Holt	14	—	12.5	18	16
Jitra Rubber	0.8	—	0.7	0.8	0.7
Marks and Spencer ...	3.1	July 17	2.65	4.5	3.9
Minty	nil	—	1	nil	1
Nurdin & Peacock	2.85	July 3	2.4	4.85	4.05
John Perkins‡ ......int	1.2	—	0.6	—	1.2
Redfearn ....int	3	Aug 6	1.5	—	6
Royal Bank Scotland int	4.6	July 1	4	—	10.8
R. Smallshaw	2	July 1	2	2.75	2.75
St Ives ....int	1.75	June 12	1.5*	—	4.5*
TDS Circuits‡	nil	—	nil	nil	2
Third Mile Investment	2	July 1	1.4	3	2.2
Torday & Carlisle§	2.9	—	2.4	4.8	4
Trafalgar House ...int	6.5†	July 3	6.2	—	13.2
Windsmoor	2	—	—	2	—

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Shares dealt in on Third Market. ‖ Traded on the over-the-counter market.

UK COMPANY NEWS

Trafalgar House confident despite setback in profits

BY CLAY HARRIS

Trafalgar House yesterday reported a 25 per cent fall in interim pre-tax profits from £72.7m to £54.1m but said that prospects were improving in all its operations. Its shares gained 21p to 369p.

Of the group's activities, only construction and engineering showed a slight improvement in operating profit to £20.3m (£20.1m). The others all reported declines, with property and investment falling to £34.3m (£41.4m); shipping, aviation and hotels to £15.3m (£9.5m); and oil and gas to £2.4m (£8.2m).

Turnover rose by 5 per cent to £1.03bn (£976m) in the six months to March 31.

Shipping results suffered because the QE2 was out of service for its £100m re-fit in West Germany. Teething problems on its "second maiden voyage" were unlikely to have any material effect, Mr Eric Parker, chief executive, said yesterday.

Cunard Line had received no cancellations, and the cost of partial refunds to passengers would be a matter of negotiation with the Bremerhaven shipyard.

Trafalgar expects the QE2 re-fit, which will be partially responsible for an increase in group borrowing from £260m to an estimated £400m by the end of the financial year, to pay for itself through lower fuel costs and additional accommodation within seven years.

The cargo shipping market, meanwhile, continued to be difficult.

The increased contribution from property, partly as a result of the acquisition of Broseley, a housebuilder, failed to offset the absence of investment sales producing profits comparable to the £25.6m figure in the first half last year.

The property side now had a landmark sufficient for 15,000 housing units, Mr Parker said. With 6,000 units expected to be built this year, this is equivalent to 2½ years' stock.

The construction and engineering division, supplemented by the acquisition of John Brown last year, had maintained order books and expected a sharp rise in the second half.

Current oil prices allowed Trafalgar to achieve marginal returns on most of its activities in this sector but failed to justify further exploration of development in the UK, according to Sir Nigel Broackes, chairman.

Interest costs were barely changed at £12.4m (£12.3m), and Trafalgar again allowed for a 20 per cent tax rate to produce a charge of £10.8m (£14.5m).

Earnings per share fell by 34 per cent to 11p (16.7p) before increased extraordinary charges of £14.8m (£10.6m) which largely reflected redundancy costs involved in the changing of crewing patterns on Trafalgar's passenger ships and engineering and construction rationalisation.

The interim dividend is less than 5 per cent higher at 6.5p (6.2p), but even then barely covered by earnings of 7.2p (13.6p) after the extraordinary charge. There will be a scrip alternative.

Trafalgar intends to resume higher dividend growth "in proportion to performance" but carefully avoided specific promises about the final, which was 7p last year. Mr Parker indicated only that total dividend growth for the year was likely to exceed the interim rise.

See Lex

WCRS seeks £28m for further expansion

By Graham Deller

WCRS GROUP, the fast-growing advertising agency and communications group, has announced three non-UK acquisitions and revealed details of a £28m underwritten rights issue.

The acquisitions were Robert A. Becker, a US medical advertising agency, and Sydney-domiciled concerns Lunn Dyer Group and Garland Stewart and Roache. Initial cost to WCRS is £6m with further consideration dependent on profit performances.

Mr Peter Scott, chief executive, said the proceeds of the rights issue—5.14m ordinary at 575p per share on a one-for-four basis to raise £28.4m net—would be used to "allow the group to react quickly and flexibly to further acquisition opportunities."

Holders of convertible preference shares will be offered 5.1875 new ordinary for every 100 preference held.

WCRS also announced proposals to increase marketability of the shares through a subdivision of each 10p share into two 5p shares; and plans to reduce the share premium account, lift the authorised capital from £4.7m to £5.3m, and confirm an increase in borrowing powers.

The directors estimated pre-tax profits for the year to end-April 1987 would not be less than £10m—in line with City analysts' expectations—and proposed a final dividend of 4.4p making a total of 6.25p for the full year.

Lee Intl is buying Media Technology

BY GRAHAM DELLER

A LITTLE more than a month after the announcement that bid talks were in progress, Lee International, rental supplier and manufacturer of film lighting equipment, has revealed agreed terms for the acquisition of its former division, Media Technology International, USM-quoted film camera and lens concern.

The terms, of five Lee ordinary for six MTI, values the company at £19.62m and have been accepted by directors and certain shareholders representing 20.11 per cent of MTI's equity. As a result, Lee, which already held 29.9 per cent, controls 50.01 per cent.

Full acceptance of the offer would involve the issue of some 6.43m shares and would represent about 11.8 per cent of Lee's enlarged share capital.

THE GUINNESS AFFAIR

Saunders cleared to sell house

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A HIGH COURT judge yesterday gave Mr Ernest Saunders, the former head of Guinness, and his wife permission to sell their house in the Buckinghamshire village of Penn, which is believed to be worth between £500,000 and £700,000.

Mrs Carol Saunders applied successfully to the court for a variation of an order freezing her husband's UK assets to enable a contract for the sale of Knoll House to go through.

The property is jointly owned by the people and Mrs Saunders will get 50 per cent of the net sale proceeds.

Mr Saunders' share will be held by their solicitors, Landau and Landau, who undertook to the court not to dispose of it without Guinness's consent or the court's permission until judgment in Guinness's action against Mr Saunders and his former fellow Guinness director, US attorney Mr Thomas Ward.

It was also agreed that Mrs Saunders should be paid the £22,275 proceeds of the sale by Mr Saunders of 5,000 Guinness shares and 10,000 Hollis Brothers shares.

That sum, the court was told, would be part repayment of the £29,899 balance of "substantial" sums Mrs Saunders had had to lend her husband to pay household expenses and his legal fees.

Mr and Mrs Saunders have been living in Switzerland since Mr Saunders' dismissal as chairman and chief executive of Guinness in January.

Mrs Saunders said that they could no longer afford the upkeep of Knoll Howe, bought in 1981 with the help of a £25,352 mortgage.

Mr Saunders' UK assets have been frozen up to a limit of £5.2m in the action in which Guinness is trying to recover a £5.2m consultancy fee paid by Guinness to Mr Ward, allegedly as a result of an agreement between Mr Saunders and Mr Ward.

On April 15 the Vice-Chancellor, Sir Nicolas Browne-Wilkinson, said that he was satisfied that there was a real risk that, without a freezing order, Mr Saunders would transfer his assets abroad or otherwise dissipate them.

See Lex

Mr Ernest Saunders, former chairman of Guinness

The Macfarlane letter to shareholders

THE FOLLOWING is the text of the letter sent by chairman Sir Norman Macfarlane, to Guinness shareholders with the annual report:

"As promised in my letter of January 16 1987 I am writing to bring you up to date on those matters which have come to light, following the start of the DTI inquiry in December 1986. It is my intention to give you as full a picture as possible within legal constraints.

"Since January, Guinness, with the support of its professional advisers, has conducted a vigorous investigation into the various matters concerned, in parallel with that of the DTI. At all times, Guinness has considered the best interests of its stockholders. In particular, it has sought to minimise disruption to the business and to ensure management concentration on the day-to-day running of the operations of the group.

"As a general principle we are seeking the earliest possible return to normality in Guinness's affairs. Your board intends to recover as much as possible, as quickly as possible. In this, and with the benefit of advice from leading Counsel, it will balance the value of an early recovery against the possibility of a higher recovery later, which might involve protracted and expensive litigation.

"Without question, there is significant public interest in what as occurred. Your board believes, however, that this is best served by the DTI inquiry and doubtless the Inspectors will in due course be making their own recommendations. For its part, Guinness has provided and is providing full co-operation with the Inspectors.

"As a result of our investigations over the past few months, your board now believes that it has identified and quantified the full extent of the various unusual matters referred to above. This has led to provisions of £125m being charged as extraordinary items in the accounts of the group for the 15-month period ended December 31 1986, a copy of which accompanies this letter.

"I now come to a number of other issues which were raised in my earlier letter, in so far as the facts have been established or action has been taken.

"The directors: Mr O. Roux and Dr A. Fürer resigned on January 12 and January 15 1987 respectively, and extraordinary resolutions are being proposed at the forthcoming annual general meeting in order to secure the removal of Mr E. W. Saunders and Mr T. J. Ward. Civil proceedings have been taken against Mr Saunders and Mr Ward for recovery of £5.2m, paid to Marketing & Acquisition Consultants. Messrs Saunders and Ward argue that this sum represents a proper fee to Mr Ward for services rendered.

Boesky: The Boesky Partnership, in which 45 limited partners participated as investors, the largest being Guinness with an investment of $100m, is now being wound-up. Of the total sum of just over $1bn invested in the Boesky Partnership, about $935m has so far been realised in cash or securities.

Virtually all of those institutions which had lent money to the Boesky Partnership have now been paid off, with the agreement of the US Securities and Exchange Commission, leaving a balance of approximately $275m for distribution to the limited partners representing about 80 per cent of their original equity investment of $338m.

As there could be a number of third party claims against the Partnership, however, the SEC has prohibited any distribution to the limited partners before March 1988.

A number of the limited partners, including Guinness, have also filed claims against Mr Ivan Boesky, his associates and other parties for fraud, negligence and violation of US securities laws and these claims will be heard in the United States District Court in New York. Meanwhile, Mr Boesky, pursuant to an agreement with the SEC, has set aside $50m of his own money for all claims which may be made against him.

In the accounts we have taken a prudent course in writing down the investment to nil, but we shall, of course, do everything in our power to secure our fair share of the final balance which is available for distribution to the limited partners.

Bank Leu: You may recall that Bank Leu, through two of its subsidiary companies, made purchases of Guinness and Distillers shares, on the basis of purported agreements for Guinness to repurchase these shares within a given period.

Guinness subsequently deposited £50m with a Bank Leu subsidiary, which the bank regarded as security. Guinness maintains that the supposed agreements with the Bank Leu subsidiaries are null and void and has sought the return of the deposit. Bank Leu disputes this interpretation, but both parties are currently discussing how best to resolve their differences.

Ansbacher: Discussions are continuing in the dispute concerning a deposit of £7.6m made by Guinness with Ansbacher. It is expected that the dispute will be settled shortly.

£25m Fees: In my January 16 letter I referred to a series of invoices totalling some £25m for which no satisfactory explanation was then available. Since then, approximately £8m has been recovered and, as described above, proceedings have been started for the recovery of a further £5.2m. Guinness is currently in discussion with the other parties to whom the balance was paid and, if no additional recovery results, further proceedings will ensue.

Dewar/Schenley: Guinness considers that its relations with Schenley Industries, its US distributor for Dewar's Scotch whisky, remain as they stood prior to a purported agreement in November 1986 which Schenley asserts involved the transfer to it of the Dewar's trademark in the US and an indefinite extension, subject to certain conditions, of the term of Schenley's distributorship of Dewar's Scotch whisky.

For the last two months we have continued to discuss with Schenley and its parent company, Rapid-American Corporation, a satisfactory solution to the issues involved. In the meantime, the trading relationship between the two companies has continued on a satisfactory basis.

Conclusion: Looking ahead, I would like to confirm your board's determination to complete its investigations, alongside those undertaken by the DTI, and to take whatever legal steps may be necessary to protect the company's assets."

UK COMPANY NEWS

Property sale boost for Royal Bank of Scotland

BY DAVID LASCELLES, BANKING EDITOR

A 23.1 per cent increase to £114.1m in pre-tax profits was achieved by the Royal Bank of Scotland Group in the six months ending on March 31, thanks in part to sales of surplus premises.

There was a rise of 32.8 per cent in earnings per share, from 19.5p to 25.9p. The *interim dividend is stepped up* to 4.6p net (4p).

Sir Michael Herries, the chairman, described the interim results as "commendable," with the clearing bank producing a strong operating performance: profits were £97.3m (up from £72.7m) albeit with some heavy provisions for bad debts.

The provisions, at £48.9m, were up from £33.1m in the first half of last year, but down on £56.3m in the second half. Mr Charles Winter, the chief executive, said the main problem areas continued to be oil and shipping.

Although the bank is also making provisions against sovereign debt, these are a small part of the total. Costs as a whole were up 21 per cent.

Net interest earnings were up 13.3 per cent, and other operating income consisting mainly of commissions, fees and foreign exchange dealing profits, were 35.8 per cent higher.

The group also benefited from the sale of its branch in Old Broad Street, in the City. This accounted for the bulk of £15.9m of premises sales reported in the results.

Among the group's subsidiaries, the Charterhouse merchant banking arm raised its contribution to £18.3m, up from £12.9m. Mr Victor Blank, the chief executive, said that corporate finance, banking, fund management and development capital had advanced, and the *group was now considering* new ventures, including an entry into the capital markets business.

Earnings from the RoyScot Finance Group were flat at £12m (£12.6m). This included the group's traditional leasing business as well as new activities such as factoring. Direct Line, the new motor insurance company, expected to make a six figure loss this year, Mr Winter said, but he was confident it would be in profit next year.

● comment

With £15.9m of the £21.4m increase in profits accounted for by the sale of a surplus City branch, the results lacked a strong enough underlying performance to enthuse the stock market, where shares fell 8p to 328p. The group still has *another branch to sell* to boost profits in the second half, and its options in Woolworths could yield another timely profit. But with provisions clearly setting at a higher level than before, and the biggest rationalisation gains from the merger with Williams and Glyns probably there already, the Royal Bank needs to display solid profit growth from its main lines of business, particularly the clearing bank. The reshaping of ancillary activities into RoyScot gives a focus to that side of the business where benefits may be expected, but Direct Line (still the only clearing bank-owned insurance underwriters) is still in the red 18 months after launch. At the moment, Charterhouse looks the liveliest part of the business, and was a worthwhile buy.

Second-half improvement eases TDS Circuits' loss

TDS Circuits, the USM-quoted printed circuit board manufacturer whose first half problems were compounded in March last year by a serious fire at one of its two factories, rallied in the second half but still incurred heavier pre-tax losses in the year to February 28 1987.

Losses rose from £421,000 to £473,000 on turnover down from £9.26m to £8.02m. In the six months to August 31 1986, TDS reported pre-tax losses of £546,000.

An extraordinary credit of £164,000 (nil) resulted from a fire insurance claim and represented amounts received in excess of book value.

The directors said that the past year was dominated by the fire. They had recently agreed the final settlement of fire claims with insurers.

A total of £2.1m has been applied to the year's results and a further £1m related to the current year to compensate TDS for the continuing loss of business.

The directors said that now capacity had been rebuilt they expected to continue the steadily improving trend in the results.

Tax credits amounted to £171,000 (£192,000) and losses per share rose from 3.27p to 4.31p. The directors declined

Reduction in Minty losses

With most of the improvement coming in the opening six months Minty, Oxford-based furniture manufacturer, saw its losses for the 1986-87 year fall from £156,327 to £105,293 pre-tax.

However, the final dividend, like the interim, is being passed—last year shareholders received a single payment of 1p net.

Turnover for the past year, to January 31 1987, improved from £2.87m to £3.42m. After tax credits of £18,640 (£54,553) the attributable loss worked through at £86,653 against a previous £101,774.

A revaluation of the company's freehold land and buildings at £2.4m has thrown up a surplus of £1.89m.

Newmarket growth

The first quarter of 1987 has been encouraging for Newmarket Company, the Bermuda-based venture capital concern. Its net asset value rose from $2.36 to $2.64 following substantial increases in some of the US quoted stocks.

Total realisations in the period raised $2.2m, including the holding in Mentor Graphic which made $1.63m against a cost of $215,000.

Edinburgh Financial

Edinburgh Financial Trust, previously a small investment trust but now being turned into a financial services group by two former directors of merchant bank, Noble Grossart, is forming an asset finance division.

The new division will be headed by Mr Ted Black, formerly Scottish regional director of Forward Trust before moving to TSB Scotland in 1985, and three other colleagues who are joining him from the high street bank.

The business is expected to start operating by July, and EFT will make £4m available to it. It will employ about a dozen people.

Smallshaw confident

Profit before tax of R. Smallshaw (Knitwear) was held at £414,000 in 1986, against £411,000, but for the current year the directors are looking for a considerable improvement.

Results included Castle Knitwear, which was closed at the end of September; without that company the profit reached £637,000. Earnings were 10.75p (11.02p) and the dividend is again 2.75p net, the final being 2p.

Extraordinary charges came to £548,000, or £348,000 net of tax, and related to closure costs. *Not all overheads attached to* the closure have been eliminated, the directors warned.

Davies & Metcalfe

SUBSTANTIAL losses by its Australian subsidiary after the flooding of its Sydney factory *saw Davies & Metcalfe*, mechanical and electrical engineer, more than double its pre-tax loss for 1986 from £286,472 to £652,857.

This included provision of A$1.3m against future losses. The Sydney business had to move to new premises, and final *settlement of the* insurance claims is still to be agreed, said directors.

With a satisfactory level of orders in hand group trading for the first quarter of 1987 had been profitable, they said.

Interest payable, less investment income, was £346,392 (£184,495) and tax took £13,724 (£69,638).

Two-thirds of Baldwin's capital changes hands

BY CLAY HARRIS

NEARLY two-thirds of the shares of Baldwin have changed hands in a deal which is expected to lead to the company moving into printing and publishing and further into property and selling its engineering and clay products interests.

A consortium of investors including Mr David Landau, Baldwin chairman and Mr Colin Gervaise-Brazier, its new chief executive, bought 1.3m of the 3.2m shares, amounting to a 26.8 per cent stake.

The balance was placed with clients of stockbrokers T. C. Coombs (Channel Islands) and Granville Davies Coleman.

Some 2.12m of the shares were sold by Hartley Baird, an over - the - counter investment company of which Mr Landau, a London solicitor, is a director. He now owns more than 10 per cent of Baldwin.

Hartley Baird said that it was considering using the £2.12m proceeds of its sale to redeem its preference shares, either for cash or through the issue of new ordinary shares.

With its shares 5p higher yesterday at 190p, Baldwin had a market value of about £9.2m.

MIL Research doubles profits

MIL Research Group has more than doubled pre-tax profits in the year to end-January 1987. On turnover up by 31 per cent from £9.64m to £12.64m, the pre-tax result came out £892,000 ahead at £1.61m.

At the time of its flotation in November MIL, a market research company, forecast profits of £1.55m. The directors intend that the first dividend will be the interim in respect *of the year to January 1988*.

They said the current year had started well and new business booked was up to expectations.

After tax of £593,000 *(£439,000)*, and *minorities* taking £10,000 more at £35,000, earnings per 5p share worked through at 10.8p (3.6p).

The recently-acquired subsidiary in New Jersey Market Measures, has been treated as part of the group throughout *both years*.

ANNUAL MEETINGS

'Excellent start' to year for Cadbury

ALL THE major Cadbury Schweppes companies made an excellent start to the present year, Sir Adrian Cadbury, chairman, said. The reorganisation measures of the last two years were producing their expected benefits and the full impact of last year's acquisitions was also being felt.

The new joint venture, Coca Cola and Schweppes Beverages experienced early teething troubles but most of these had been solved, he added. The company was experiencing high demand with sales above initial estimates.

Rentokil Group was expecting a good interim result on the basis of figures for the UK for the first three months and the results of six months trading overseas. The board was also confident of further sound growth in the rest of the year.

Last year the company made pre-tax profits of £31.27m (£26.04m) on turnover up from £148.25m to £166.9m.

As already announced Mr W. H. Westphal retired as chairman to be succeeded by Mr D. K. Newbigging.

Following a year of consolidation Linread was beginning to see the benefits in the present year at a time when demand was stronger than for many years, Mr D. G. Lynall, chairman, said.

The aircraft products division continued to grow and the commercial products division had settled in to its new Birmingham factory. Warne Wright Engineering, purchased in February, had been integrated and the company was pleased with its progress.

Laidlaw Group enjoyed its best-ever *first quarter* in 1987 and Mr Mac Robertson, chairman, said that he expected the year's results to show very significant growth.

Trading in the first quarter at Worcester Group had been up to the company's highest expectations, Mr Cecil Duckworth, chairman and chief executive, said. The group was seeking acquisitions which had synergy with its core boiler business and several opportunities were under review.

Progress of Instem in the first three months in research and development and orders received were in line with plans, Mr David Gare, chairman, said. The company continued to pursue major projects which were due to be placed in the next few months.

Great Portland

Great Portland Estates is raising £40m through another tranche of its first Mortgage Debenture Stock 2016 in order to further its current development programme and fund future acquisitions.

It is entering an agreement with Baring Brothers to place the stock on a yield basis. The stock will be paid up as to 25 per cent now and the balance in four months.

Joseph Holt

Joseph Holt, Manchester-based brewer, improved pre-tax profits for 1986 by just 8 per cent. On turnover ahead from £10m to £10.58m, the pre-tax result came out at £3.29m against £3.05m.

The directors are recommending an increased final dividend of 14p (12.5p), lifting the total for the year by 2p to 18p.

After tax of £1.21m (£1.2m), attributable profits rose from £1.85m to £2.09m for earnings per share of 69.6p (61.75p).

UK COMPANY NEWS

New shape planned for the River & Mercantile Trust

BY NIKKI TAIT

River Mercantile, the independant fund management group, yesterday unveiled innovative plans to convert its £120m non-specialised investment trust—River & Mercantile Trust—into a split level fund, offering shareholders three classes of shares in exchange for the current one.

The move, say the fund's managers, should eliminate the traditional discount—that is, the difference between the trust's net asset backing per share and its share price.

Fund management groups have become increasingly sensitive about discounts because of the opportunities they offer potential predators.

Various moves have been made to overcome this problem—ranging from unitisation to takeovers—and the smaller Yeoman Investment Trust converted into a two-tier split level fund last November.

This is the first time, however, that conversion into a three-tier fund has been tried.

"There are a number of general investment trusts where a similar idea could be applied," maintained Mr Piers Godfrey, a director of River & Mercantile. "We already know of one other major group which is interested."

Under the proposals—which need shareholder approval at an extraordinary meeting on May 29—R&MT will first have a capitalisation issue and then convert its shares into a package of stepped preference shares, income shares, and capital shares with warrant rights—in one:two:one proportions. It will also attach a 13-year life to the trust.

Broadly, if the trust's asset backing remains at around 240p, a shareholder with 15 ordinary shares, say, would receive in exchange nine stepped preference shares, 18 income shares and nine capital shares with warrant rights.

The stepped preference shares will aim to give a mix of capital and income growth and not normally carry voting rights. The dividend in the first year will be 4.2 per cent net, and there will be a capital entitlement rising from 100p a share at the outset to 188.6p by the winding-up date.

The income shares will be entitled to the rest of the fund's income, with a smaller capital entitlement rising from 40p initially to 100p when the trust is wound up.

The capital shares pay out no income, but have an initial capital entitlement of 220p and—on winding up—enjoy the remainder of the trust's assets.

For every five capital shares, shareholders get one warrant to subscribe at 300p for one capital share at any time up to the winding-up date. The gross yield on the package overall is 5.3 per cent, compared with 4.7 per cent on the existing trust.

The fund managers, together with advisers Robert Fleming and Cazenove, estimate that—on comparisons with other split level trust shares and fixed interest stocks—all three types of share should start trading at 96p-104p.

Since the estimates were made, markets have moved favourably for the income shares, and the level here could be slightly higher.

R & M says that it has already been adjusting its portfolio to meet the requirements of the new trust, but that its previous income bias means that wholesale changes are not necessary.

The fund's major holdings will include oil stocks, insurance companies, banks, certain overseas traders and convertible preference shares.

Shareholders—half of whom are private individuals—will also be offered a "mix and match" option, whereby they can specify whether they would prefer more of a specific share class. These requests will be satisfied to the extent that other holders opt for alternative classes.

The trust's biggest shareholder, the Water Authorities Superannuation Fund with 14.77 per cent, has said it will support the proposals.

Yesterday, shares in River & Mercantile Trust added 9p to 228p, putting the discount at around 5 per cent. However, this has narrowed from over 12 per cent in mid-April when the outline proposals were first announced.

Strong first half for Capital Radio

STRONG TRADING in the half year ended March 31 1987 gave Capital Radio increases in turnover and pre-tax profit of 12 per cent and 86 per cent respectively over the comparable period of 1986.

The company, whose shares were offered for sale in February at 105p each, is Britain's biggest independent radio station and has held an IBA franchise for the London area since 1973.

Turnover came to £10.02m (£8.96m) and the profit to £1.53m (£824,000), after rentals and levy £1.07m (£1.52m).

In 1986 there were reductions in the IBA primary rental and in the rate of royalties and Exchequer Levy payable. Had those reductions applied throughout the comparable half year the pro forma profit for that period would have been £1.38m—therefore, the increase for the 1987 six months would be 11 per cent.

In his statement to shareholders, Sir Richard Attenborough the chairman, said the second half had begun well for the company, although in view of the volatility of advertising revenues it should not be assumed that the recent rate of business growth would be maintained.

Also, as warned in the prospectus, operating costs were expected to be higher in the second half, principally as a result of promotional expenses for summer events.

However, Capital was participating in the benefits derived from improved advertising revenues and the directors believed results for the full year would be satisfactory, Sir Richard added.

Sir Richard also stated that the proposed acquisition of Devon Air Radio — announced last month—had received the approval of the IBA. The offer for the company, which has the franchise for the Exeter-Torbay area serving a population of 500,000, is in cash or shares.

Capital is declaring an interim dividend of 2p net, and confirmed a final of not less than 3p, payable in February.

After tax £568,000 (£334,000) the half year's net profit was £968,000 (£490,000) for earnings of 6.3p (3.2p). For the full year 1985-86 the actual pre-tax profit was £1.71m, but became £2.39m on the pro forma basis.

BOARD MEETINGS

TODAY

Interims: Fleming Far Eastern Investment Trust, GRA, Harris Queensway, Holt Lloyd International, King & Shaxson, Smith St Aubyn, Usher-Walker.

Finals: Drayton Consolidated Trust, Fairline Boats, Fundinvest, Rand Mines, Stakis.

FUTURE DATES

Interims—	
Asea AB	May 25
Bank of Nova Scotia	May 26
Diploma	May 11
Fitzwilton	May 8
Wheeso	May 13
Yorkshire Television	May 19
Finals—	
Atkins Brothers (Hosiery)	June 9
Brewmaker	May 8
British Airways	May 19
Caffyns	June 10
Catalyst Communications	May 11
Comprehensive Fin. Services	May 13
European Ferries Group	May 12
Foster (John) and Son	May 14
Heath (C. E.)	May 20
Monks Investment Trust	May 28
Ramco Oil Services	May 12
Sears	May 12
United Friendly Insurance	May 11

Windsmoor rises to £3m

Windsmoor, a women's fashionwear manufacturer which came to the market amid controversy last July, lifted pre-tax profits from £2.83m to £3.02m in the year to January 31 1987. Turnover moved up from £53.82m to £59.05m.

In August last year Windsmoor dropped Chase Manhattan Securities, its issuing house, after some of its staff had dealt in the company's shares on their own behalf and "stagged" the issue by selling the shares at a profit.

In line with the forecast made in November, the directors are recommending a final dividend of 2p (nil).

Net operating expenses totalled £6.04m (£5.75) and operating profits amounted to £3.43m (£3.24m). Associated companies contributed £108,000 (£137,000) and the balance of interest receivable and payable produced a debit of £520,000 (£549,000). Tax took £1.1m (£1.19m), after which earnings per share moved up from an adjusted 7.43p to 9p.

Torday up 25% to £0.78m

Torday & Carlisle, engineering concern, reported its fourth successive year of growth with pre-tax profits advancing by 25 per cent in 1986 from £618,000 to £775,000.

Mr Paul Torday, chairman, said that when discontinued operations were taken out of the 1985 figures the underlying growth was 34 per cent.

The company also announced it was buying out its partner, Van der Horst, in two Dutch joint ventures, Van der Horst Holland and Emmelot. The consideration is Fl 5m (£1.48m) satisfied by Fl 3.5m cash and the balance by a placing of 400,000 shares at £1.50 each.

Turnover was up at £14.88m (£14.49m) and earnings per 10p share came out at 20.6p (16.5p). A final of 2.9p (2.4p) is proposed for a total of 4.8p (4p). The shares are traded on the over-the-counter market made by Branville & Co.

COMPANY NEWS IN BRIEF

PRESTWICH HOLDINGS has sold its remaining 20 per cent stake in Henlys Optical Group to Coopervision for £3m. Under the original terms of the disposal of 80 per cent of Henlys to Coopervision, Prestwich could have sold the stake in early 1989, but decided to further strengthen its balance sheet.

GIBSON LYONS Group is acquiring Dufay Reprographics from BTP for £1.08m via allotment to BTP of 1m 7 per cent convertible preference shares. These will be placed with institutions but to allow shareholders (other than directors and their families) to participate, 100,000 preference shares will be made available on a one-for-four basis at 108p per share. Conversion will be on a one-for-one basis at any time until 1999.

BULLOUGH has acquired Meyer International subsidiary Brymitre for £2.86m via the issue of 732,785 ordinary shares, which will be placed for the vendors. Brymitre, based in Kent, manufactures TV cabinets, audio equipment and speaker cabinets, fire surrounds and office furniture components. For the year to end-March 1987 Brymitre made profits of £701,000 on sales of £4.6m before interest, a parent company management charge and tax.

KELLOCK TRUST has acquired 75 per cent of WMH, a West Midlands-based insurance broking and personal financial services group. Initial consideration of £1m to be satisfied by the issue of 2.22m new ordinary Kellock shares. Further consideration depends on WMH's profits in 1987 and 1988.

TOWLES (hosiery and knitwear manufacturer): Turnover £16.25m (£15.2m) and pre-tax profits £293,000 (£597,000) for year to February 28 1987. Gross profit £2.92m (£2.91m); distribution costs £297,000 (£274,000); administration expenses £2.22m (£1.96m); and other operating income £25,000 (£48,000). Interest charges £134,000 (£128,000) and tax £90,000 (£192,000). Earnings per share 8.01p (16.44p).

TURRIFF CORPORATION is to acquire O. E. McIntyre, a computer-based direct marketing company specialising in support services to the mail order industry. Total consideration is £1.19m in cash, of which £942,300 will be paid on completion and the balance on May 1 1988.

BSS GROUP is seking early repayment of its 10¼ per cent debenture stock 1999-2003. Shareholders will be asked to approve a proposal whereby the outstanding £500,000 nominal amount of the stock will be repaid at £115 in cash (plus interest accrued to the date of repayment) for each £100 nominal amount of the stock.

CRONITE GROUP (processor of alloys, nickel alloy manufactured products and steel stockholder): Turnover £7.17m (£9.04m) and pre-tax profits £12,000 (£219,000) for half year to March 31 1987. Earnings per 25p share 0.2p (3.8p). Directors believe second half will show satisfactory trading recovery. Consideration being given to certain possible acquisitions.

COLINE International has acquired Test Probes, the California-based principal distributor of its probe products in the US, and Helvetia Automatic Products, a north London-based manufacturer of precision turned parts. TPI will cost £587,000, plus a further payment of $750,000 (£446,000) on January 31 1988; the total cost of Helvetia will be £399,000.

THIRD MILE INVESTMENT: Earnings 12.6p (9p) and final dividend 2p (1.4p), making 3p (2.2p) for 1986. Turnover £1.74m (£1.62m) and net profit after tax £301,352 (£215,415).

CITY OF OXFORD INVESTMENT TRUST: Earnings 1.76p (1.61p) and final dividend 1.15p (1.1p), making 1.75p (1.6p) for the year to March 31. Total revenue £647,308 (£574,806) and net revenue after tax £359,038 (£329,601).

JITRA RUBBER Plantations (investment company): Dividend 0.8p (0.7p) for 1986. Profit before tax £255,011 (£183,523). Earnings per 10p share 1.71p (1.16p) after tax of £65,000 (£55,000). Company is a subsidiary of Rowe Evans Investments.

EAGLE TRUST, electronic goods distributor, reduced pre-tax loss from £233,000 to £147,000 on turnover down from £1.16m to £789,000 for the six months to Wecember 31 1986. The company's merger with Mitchell Somers and Midland City Partnership was completed after the year end. The combined financial strength of the enlarged group was expected to provide the basis for organic growth.

C. D. BRAMALL said shareholders applied to subscribe for 737,976 ordinary at 265p each, equal to 54.8 per cent of the shares subject to the open offer in connection with acquisition of Gelco International.

COMMODITIES AND AGRICULTURE

Turmoil at Comex hits seat prices

By David Owen in Chicago

SEAT PRICES at New York's Commodity Exchange Inc (Comex) have tumbled sharply in the wake of the exchange's problems with unresolved trades in recent days.

Full Comex memberships have been selling this week at $95,000 to $100,000, well up on the year-ago level of $67,500 but significantly below the record high of $150,000 paid on April 27—the day when silver market volatility reached its peak. The volume of seat sales has remained relatively low, however, an exchange official said.

The exchange has fallen behind in its processing of trades after what it termed "unprecedented volume and volatility" in precious metals markets of late. The backlog, which exchange officials have said peaked at 18,000 contracts, has prompted Comex to close its gold, silver, copper and aluminium futures markets early for the last three trading days and has forced the exchange to consider changes in its clearing system.

Comex said yesterday it would open normally today.

Australia sees bright wool price outlook

By Chris Sherwell in Sydney

THE FIRMNESS in Australian wool prices will continue because of a favourable demand outlook in consuming countries and a net reduction in local supply, Mr David Asimus, chairman of the Australian Wool Corporation, predicted yesterday.

He was speaking at a Wool Council of Australia conference in Melbourne one month after the market indicator price for Australian wool soared to a record 756 Australian cents a kg (clean).

Wool is Australia's largest rural export earner. A major world producer, the country has an estimated 70 per cent of the trade in clothing-type wools.

According to Mr Asimus, the availability of Australian shorn wool next season should be down by 10 per cent because increased wool production would be more than offset by reductions in carry-over stocks.

The Wool Corporation's stocks had been halved to 430,000 bales. But the upward trend in production underlined the importance of promoting the use of apparel wool. He indicated that this could be funded with the existing 8 per cent wool levy.

On the demand side, consumption of wool for clothing in the main consuming markets had been increasing by 2 per cent annually, and wool was expected to continue benefiting from shifts in preference towards natural fibres.

The net effect of these trends is that Australia's share of clearances to the trade among the five major wool-exporting nations has risen from 46 per cent to 56 per cent since 1984, Mr Asimus said.

Japan's purchases of Australian wool this season were 25 per cent above the average for the previous five seasons. China's purchases made it the second largest customer.

Opec output rises but quota accord intact

BY MAX WILKINSON, RESOURCES EDITOR

THE Organisation of Petroleum Exporting Countries increased its output by 1.5m barrels a day in April to 16.6m b/d, the International Energy Agency in Paris said yesterday, but there is little sign of a crack in the cartel's discipline.

In its monthly oil report, the agency says that most of the increase was in Saudi Arabia, where output rose by a third in April to 4.1m b/d.

The rise brings Saudi production up to its official quota level for the first time this year. The figures show that Iran and Iraq have both raised output slightly, but broadly the Opec countries are sticking to the quotas they agreed in Geneva in December.

Crude prices have remained steady probably because the rapid depletion of stocks in the first three months of the year has come to an end. The oil market has appeared confident that Opec will maintain its official prices or around $18 per barrel. This week crude for June delivery on the New York Mercantile Exchange climbed back to over $19 per barrel for the first time since the June contract began.

The agency estimates that stocks were reduced at the rate of 1.4m b/d during the period, with a further 1.3m b/d gap between supply and demand unaccounted for. This may also represent sales from floating or shore based stocks.

In the absence of any movement in stocks during the next six months the figures show that the pressure on Opec should ease somewhat, with demand for its crude rising to about 16.4m b/d until the late autumn and over 18m b/d in the winter months.

A special analysis of the world's energy market shows that oil has started to win back some of its market share after years of decline during the era of high crude prices. Last year total energy consumption in the industrialised countries rose by 0.3 per cent compared with the previous year's level.

Oil consumption rose at three times that rate, and oil's share of total industrial world energy consumption rose from 41.9 per cent in 1985 to 42.9 per cent last year. However this was well below the peak of 52.1 per cent reached in 1977.

Monthly Oil report from the International Energy Agency, 2 rue André-Pascal 75775 Paris Cedex 16 France.

Rubber organisation plans stocks sales

BY WONG SULONG IN KUALA LUMPUR

THE 32-NATION International Natural Rubber Organisation has authorised its buffer stock manager to implement "a modest sales programme" to raise funds for the running of the organisation during the interim period when the current agreement expires in October until the next agreement comes into force.

The Inro council, which ended its 14th session here yesterday, was told that the interim period is likely to last between six and 14 months.

Inro delegates said no sale quota has been fixed, but added the buffer stock manager would probably need to dispose of a monthly average of 2,600 tonnes to generate sufficient funds to cover contingencies such as servicing and maintaining the 360,000-tonne stockpile in over 30 locations round the world.

Mr Aldo Hofmeister, the buffer stock manager, said the underlying principle was not to disrupt the market, and added his sales "are unlikely to have an appreciable impact, given the current strength of the market."

In a statement, the Inro council said it had agreed that the assets of the current rubber agreement, which includes the 360,000 stockpile valued at $293m and cash and pledges worth $65m be transferred to the next agreement.

To assist in a smooth transfer, the appointment of the Inro staff had been extended and the organisation's Kuala Lumpur headquarters had been reaffirmed.

The statement said the manager informed the council that the natural rubber market appeared to be structurally sound, with supply and demand holding in close balance.

It was his view that "prices would continue to hold near current levels over the near term with some possible improvements in the last quarter of the year."

Tin futures plan studied

BY WONG SULONG

THE Kuala Lumpur Commodities Exchange's Board of directors will meet tomorrow to approve the introduction of tin futures trading later this year.

A KLCE official said the Board will study the tin contract submitted by the tin committee, and a statement on the Board's decision is expected to be issued the following Monday (May 11).

The tin contract size will be one tonne, to be quoted in US dollars. Initially, the KLCE will be trading in brands smelted by Malaysian, Indonesian and Thai smelters, although other brands would be included at a later stage.

Currently the KLCE deals in rubber and palm oil futures.

Malaysian authorities feel the introduction of tin futures would complement physical tin trading on the Kuala Lumpur Tin Market.

Weekly metals

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,370-2,430 (2,390-2,470).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.70-3.00 (2.50-3.00).

CADMIUM: European free market, min. 99.95 per cent, $ lb, in warehouse, ingots 1.45-1.50 (1.20-1.40), sticks, 1.45-1.50 (1.20-1.40).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 6.35-6.65 (6.30-6.45).

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 270-280 (250-265).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.05-3.10 (same).

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 4.90-5.35 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO_3, cif, 50-55 (same).

VANADIUM: European free market, min. 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.55-2.60 (same).

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 16.75 (same).

France and Spain in strawberry jam

By Tim Dickson in Brussels

THE European Commission has acted in a bid to stop the Franco-Spanish strawberry trading turning sour.

The move follows complaints by the Government in Paris that Spanish strawberries have been flooding into the French market in recent days and thereby depressing prices for domestic producers.

A full meeting of Commissioners in Brussels agreed yesterday to limit Spanish exports of the fruit to France to 800 tonnes per day for the rest of this week and to 400 tonnes per day next week. Thereafter, the Commission says, it will keep a close eye on the market situation.

Neither France nor Spain will be particularly happy with yesterday's developments but the hope is that it will defuse tensions in the fruit farming areas of South West France where border incidents involving Spanish lorries have been reported this week. The two Spanish commissioners are understood to have strongly opposed the quota proposal, while a French Government official pointed out that supplies to the market in the next few days would still significantly exceed demand.

The problem has arisen because of particularly healthy strawberry harvests in the two countries, and a slightly earlier than usual crop in France. "Usually the French crop comes later," an official explained last night, "and on top of this our producers have not been able to reach an agreement with their opposite numbers in Spain."

France complained to the Commission under the terms of the Accession Treaty which formalised Spain's entry into the European Community in 1986. Under this member states are allowed to seek protection from the disruptive consequences to their own market of unexpected or exceptional harvests of agricultural products.

French consumption of strawberries currently estimated at 1,200 tonnes per day. French production is currently in the 600-800 tonne per day range and is likely to increase to 1,000 tonnes in the near future.

Spanish production, meanwhile, has been increasing in recent years and is expected to reach 200,000 tonnes in 1987, compared with 160,000 tonnes in 1985. Exports last year accounted for 67,000 tonnes, of which 30-40 per cent are understood to have gone to France.

EC in row over fake dairy products

Tim Dixon on the passions aroused by a crucial test case

COFFEE WHITENER and non-cream "toppings" might seem *unlikely* subjects to divide the European Community. But legal action to force France and West Germany to accept these and other imitation dairy products in their markets has aroused fierce political passions in Brussels.

This week the European Court of Justice in Luxembourg has been considering what amounted to a new request by the Commission to suspend a vital test case aimed at overturning the long standing French ban on sales of such substitutes. A decision is expected today, but there is more at stake than whether the sensitive Gallic palate should be exposed to such artificial concoctions as soya "cheese" or "cream" composed of vegetable oil.

At issue, according to many observers, are fundamental questions of EEC food law, the viability of a genuinely free European market in agricultural goods, and the extent to which Community institutions should be influenced by narrow nationalistic political concerns.

The main argument against the French (and also against West Germany in a parallel and almost identical action, currently suspended) is that the prohibition contravenes Article 30 of the Treaty of Rome, which supports the free movement of goods. This is certainly the view of the European Commission, which brought the case against the French in 1984 following complaints by a Dutch trader, and which feels that consumers *should* be able to buy dairy imitation products if they wish, provided they are healthy, safe and properly labelled to distinguish them from the real thing.

Detailed proposals on labelling were drawn up by the Commission and presented some time ago to the Council of Agriculture Ministers—but so far at least they have not won majority approval.

The reason for this is largely because France and Germany remain resolutely opposed to any lifting of the ban. In the Luxembourg court, for example, the French have claimed that milk is more healthy than substitute products (a claim treated with some scepticism by some EEC experts) and that consumers need to be protected. But their most compelling and persuasive political argument is that free circulation of milk substitutes is inappropriate at a time when ordinary milk production is being artificially restrained. Why should dairy farmers have to put up with milk quotas if their non-dairy competitors are free to attack their traditional markets? The Germans claim that 6m tonnes of milk would be displaced if the barriers were removed.

So far, at any rate, legal opinion does not seem to be on the French side. An opinion delivered by the Advocate General in Luxembourg, Sir Gordon Slynn, in March 1986 came down strongly against the French ban and although not binding on the court should on past precedent be reflected in the final judgment. The problem for those who consider the case a key test for the internal market is that such a judgment has yet to be delivered.

Strong political pressure from Paris and Bonn — including letters from Chancellor Kohl and Prime Minister Chirac to Commission President Jacques Delors—has been deployed in a blatant campaign to delay or even force the abandonment of the case. What concerns many observers is that both the European Commission and the Court appear at times to be prepared to bow to Franco-German pressure.

Almost exactly a year ago, for example, the Court rebuffed an overture from the Commission to suspend the French case but two months later surprised many by changing its mind. (The apparently short two week delay to July 14 last year was in practice much longer since the Court broke up for the summer on July 12 and did not return from its holidays until mid-September). No judgment was subsequently delivered and in January this year the Court again agreed to suspend the case, this time for a further four months until April 30. (The Commission request was for a six-month delay).

Following a new appeal from Mr Francois Guillaume, the French Agriculture Minister, at last week's Farm Council in Luxembourg, the Commission has written to the Court in order, according to one highly placed official "to remind them that we originally asked for a further six months."

The letter is not a formal request for a further extension but, according to the same official, "it effectively amounts to the same thing."

The French arguments are known to have had a sympathetic hearing from Mr Frans Andriessen, the EEC's Agriculture Commissioner, who is understood to see the political merit of prolonging the French ban at a time when dairy farmers are being asked to accept major sacrifices. But whilst he has tended to support French tactics, Lord Cockfield, the Commissioner responsible for breaking down internal trade barriers, has become increasingly irritated by the turn of events.

LONDON MARKETS

ZINC PRICES on the London Metal Exchange were driven still higher yesterday as speculators responded to fresh bullish chart signals. Tuesday's close saw the three months position close at £478.50 a tonne, just above the psychologically important $800 level, and this unleashed a wave of buying yesterday which lifted the price a further £13.25 to £491.75 a tonne — taking the rise on the week so far to £21.25. The price had actually been slightly higher than this earlier but had been trimmed back as sterling regained some of its losses against the dollar. Dealers said concern about a threatened strike at Cominco's Kimberly/Trail complex in British Columbia from next Saturday continued to be a supporting factor. Coffee was the biggest mover among the soft commodities with the July futures position falling £45 to £1,301.50 a tonne. Dealers said the fall reflected the reassertion of bearish fundamental influences as the potency of recent technically bullish factors faded. Physical demand remains low, they said, and the market is approaching the seasonally slack summer period.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	812-3	—14.5	812/811
3 months	809-10	—5.5	812/805

Official closing (am): Cash 811-2 (823-4), three months 805-6 (804-5), settlement 812 (824). Final Kerb close: 812-3. Turnover: 44,000 tonnes.

COPPER

Official closing (am): Cash 878-9 (881-1.5), three months 869.5-60.5 (852.5-3), settlement 879 (881.5). Final Kerb close: 863-4.

Grade A	Unoffic'l close £ per tonne	+ or —	High/Low
Cash	876-7	—9.5	880/877
3 months	862-3	+4.75	863.5/856

Official closing (am): Cash 842-7 (845-8), three months 842-5 (838-40), settlement 847 (848). US Producer prices 67.50-71 cents a pound. Total Turnover: 41,675 tonnes.

Standard			
Cash	845-8	+0.5	—
3 months	844-7	+3	—

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	408-9	—0.5	410/407
3 months	352.5-3.5	+4.75	357/351

Official closing (am): Cash 409.5-10.5 (411-2), Three months 352-3 (347-8), settlement 410.5 (412). Final Kerb close: 353-3.5. Turnover: 12,750 tonnes. US Spot: 24-31 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2583-8	+100.5	—
3 months	2567-8	+85	2575/2510

Official closing (am): Cash 2,540-5 (2,481-2), three months 2,528-30 (2,482-4), settlement 2,545 (2,482). Final Kerb close: 2,560-70. Turnover: 2,590 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	496-7	+13.5	—
3 months	491.5-2	+13.25	495/480

Official closing (am): Cash 498-9 (478-9), three months 494.5-5 (474-4.5), settlement 499 (479). Final close: 493-4. Turnover: 14,875 tonnes. US Prime Western: 41-44 cents per pound.

TIN

KUALA LUMPUR TIN MARKET—Close: 16.65 (same) ringgit per kg.

GOLD

Gold rose $1¾ to $458½-459 on the London bullion market yesterday. It opened at $457¾-458¼ and was fixed at $456¾ in the morning and $456¼ in the afternoon. The metal touched a peak of $459¾-459½ and a low of $454-454½. Trading was quiet, with dealers generally cautious because of recent volatility.

GOLD BULLION (fine ounce)	May 6	
Close	$458½-459	(£271½-272)
Opening	$457¾-458¼	(£272¼-273¼)
M'n'g fix	$456.75	(£271.261)
Aft'n'n fix	$456.25	(£270.511)

GOLD AND PLATINUM COINS		
Am Eagle	$472-477	(£280-283)
Mapleleaf	$469¼-472¼	(£278½-280¼)
Kr'g'rnd	$462-465	(£274¼-276)
½ Krug	$240-241	(£142½-143)
¼ Krug	$120-121	(£71¼-71¾)
Angel	$465½-469½	(£276¾-278¾)
1/10 Angel	$46-51	(£27¼-30¼)
New Sov.	$108-109	(£64-64¾)
Old Sov.	$108½-110	(£64¼-65¼)
$ 20 Eagle	$510-560	(£302¾-332¼)
Noble Plat	$628-639	(£372¾-379¼)

SILVER

Silver was fixed 43.6p an ounce lower for spot delivery in the London bullion market yesterday at 486.85p. US cent equivalents of the fixing levels were: spot 819.25c, down 75.75c; three-month 833.6c, down 77.05c; six-month 847.45c, down 79c; and 12-month 875.2c, down 82c. The metal opened at 496-503p (835-845c) and closed at 493-500p (833-843c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	486.85p	—45.6	497p	—0.5
3 months	497.30p	—44.5	507.5p	—2.0
6 months	506.60p	—45.7	—	—
12 months	523.80p	—47.8	—	—

Three months final kerb 505-10p. LME—Turnover: Nil (1) lots of 10,000 ounces.

RUBBER

PHYSICALS — The London market opened about unchanged, met selling pressure throughout the day and closed on an easier note, reports Lewis and Peat. Closing prices (buyers): Spot 60.75p (61.50p); June 60.50p (61.25p); July 60.00p (60.75p). The Kuala Lumpur fob price (Malaysia/Singapore cents) per kg: RSS No 1 232.0 (232.5); SMR 20 202.0 (201.5).

FUTURES—Index 580, May 579-582, June 579-582, July/Sept 579-582. Sales: Nil.

INDICES

REUTERS

May 6	May 5	M'th ago	Year ago
1576.5	1581.9	1546.3	1788.1

(Base: September 18 1931=100)

DOW JONES

Dow Jones	May 5	May 4	M'th ago	Year ago
Spot	126.50	124.81	—	129.48
Fut	126.64	127.81	—	124.29

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	May 6 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1415/455	+50	$1415/45
Copper			
Cash Grade A	£876.5	—9.5	£914.5
3 months	£862.5	+4.75	£876.5
Gold Troy oz	$458.75	+1.25	$420.5
Lead Cash	£408.5	—0.5	£318
3 months	£353	+4.75	£308.75
Nickel			
Free Mkt.	182/212c	+5	175/185c
Palladium oz	$147.75	—2.25	$129.25
Platinum oz	$611.00	—8.5	$557.00
Quicksilver†	$265/265	+10	$205/220
Silver troy oz	486.85p	—43.60	414.15p
3 months	497.30p	—44.50	424.10p
Tin			
free Mkt	$4110/140	+10	£4220/250
Tungsten	$46.93	—4.61	$48.37
Wolfram 22.04lb	$50/55		$49/54
Zinc	£496.5	+13.5	£461.5
3 months	£491.75	+13.25	£459.5
producers	$790/810		$790
OILS			
Coconut (Phil)	$407.5u	+2.5	$390
Palm Malayan	$337.5v	—2.5	$330
Seeds			
Copra (Phil)	$270u		$275
Soyabean (U.S.)	$142y	—3	$137
GRAINS			
Barley Fut. Sept	£99.35	—0.10	£99.85
Maize	£146.00		£143.25
Wheat Fut. July	£124.15	+0.25	£125.40
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. July	£1384	—2.5	£1511.5
Coffee Ft. July	£1302.5	—44	£1302.5
Cotton A Ind.*	71.00c	—0.85	63.05c
Gas Oil June	$152.75	+1.75	$146
Rubber (kilo)	60.75p	—0.75	60p
Sugar (raw)	$175u	—4.5	$173
Wooltops 64s	470p kilo		465p kilo

‡ Unquoted. † Per 76-lb flask. c Cents a pound. * Cotton outlook. w June-Aug. v July. u May-June.

COFFEE

After a quiet morning, commission house sell stops on the afternoon close drove the market down to end the day on its lows, reports Drexel Burnham Lambert. In a market dominated by switch activity, a lack of interest for physical coffee and the prospect of producer selling slowly eroded prices during the afternoon, triggering the stops on the close.

COFFEE	Yesterday close	+ or —	Business Done
May	1271-1274	—41.0	1304-1270
July	1301-1304	—44.0	1335-1300
Sept	1315-1318	—44.5	1351-1320
Nov	1345-1349	—39.5	1373-1347
Jan	1368-1372	—32.5	1385-1370
Mar	1390-1395	—32.5	1413-1395
May	1400-1420	—30.0	-

Sales: 5,250 (4,044) lots of 5 tonnes. ICO indicator prices (US cents per pound) for May 5: Comp. daily 1979 111.96 (111.88); 15-day average 108.66 (108.03).

COCOA

In thin volume futures traded at the recent lows where some light price fixing was noted. However, this failed to rally the market and the close was weak, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or —	Business done
May	1250-1252	—2.5	1255-1247
July	1283-1285	—2.5	1287-1280
Sept	1295-1296	—6.0	1305-1295
Dec	1319-1320	—6.5	1328-1319
March	1343-1344	—5.0	1350-1343
May	1364-1365	—3.0	1370-1365
July	1382-1388	—2.5	—

Sales: 2,322 (2,912) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for May 6: 1604.03 (1606.41); 10-day average for May 7: 1611.77 (1613.65).

FREIGHT FUTURES

After an initial flurry on the upside levels dropped back about 10 points before good buying interest sparked a strong rally pushing the market up a further 10 points with the October 1988 position reaching limit-up. Higher fixtures for US Gulf/Japan were seen as the reason for the buoyant market with one report of $17.50 and rumours of even higher levels of $17.85 and $18.00 circulating the market, although these are not as yet substantiated, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
July	970	970/954	941
Oct.	1010	1015/995	985/990
Jan.	1001/1004	1005/995	990
Apr.	990/1020	—	960/1010
July	770	—	750/800
Oct.	860	—	850/900
Jan.	—	—	920
April	—	—	970
BFI.	1034		1027

Turnover: 595 (790).

GRAINS

Old crop markets attempted to steady on bullish export figures for April, but struggled on May retender pressure and values drifted off the highs on shipper/broker selling. New crops, after early country hedge selling, rallied strongly on wheat, while barley remained depressed on shipper long liquidation, reports T. G. Roddick.

Mnth	WHEAT Yest'rdy's close	+ or —	BARLEY Yest'rdy's close	+ or —
May	121.95	+0.05	108.95	—1.05
July	124.15	+0.25	—	—
Sep.	101.60	+0.10	99.25	—0.10
Nov.	103.85	+0.10	101.80	—0.10
Jan.	106.60	+0.10	104.40	—0.10
Mar.	109.05	+0.05	106.55	—0.05
May	111.75	—	108.15	—0.05

Business done—Wheat: May 122.00-1.95, July 124.25-4.15, Sept 101.60-1.40, Nov 103.85-3.85, Jan 106.60-6.40, March 109.05, May 111.75. Sales: 166 lots of 100 tonnes. Barley: May 109.50-9.00, Sep 99.20, Nov 101.80, Jan 104.45-4.40, March and May untraded. Sales: 51 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Hard Winter, 13½ per cent: May 92.00, June/July 88.00. US No 2 Soft Red Winter: June 91.50, July 89.25. French 11½-12 per cent: April 143.50. English feed, fob: May 124.50 sellers, Sept 103.00-104.00, Sept/Dec 106.75-107.25, Jan/March 111.00-111.25 buyer/sellers. Maize: US No 3, Yellow/French, transhipment East Coast: March 145.00. Barley: English feed, fob: Aug 101.75, Sept 103.50 sellers, Oct 105.00-106.00 buyer/sellers.

HGCA — Locational ex-farm spot prices. Feed barley: E. Midlands 111.50, N. East 112.00. The UK monetary coefficient for the week beginning Monday May 13 (based on HGCA calculations using five days' exchange rates) is expected to change to 1.227.

POTATOES

May was initially £2.00 easier but profit-taking following the recent heavy falls lifted values in the afternoon in thin volume to close slightly up. New crops were quiet and steadier on dry weather forecast despite being almost all planted up, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
May	144.90	144.50	144.90-141.80
Nov	89.30	87.60	89.00
Feb	98.30	96.60	
Apr	121.50	119.10	121.50-119.80
May	133.30	132.50	129.00

Sales: 407 (692) lots of 40 tonnes.

SOYABEAN MEAL

Heavy commercial selling of nearby positions forced prices lower. Scale-down professional of local buying stemmed the decline. A late rally on a stronger than expected Chicago market saw prices recover to the highs, reports Muirpace.

	Yesterd'ys close £ per tonne	+ or —	Business done
June	117.5-117.6	—1.45	117.5-117.8
August	114.8-115.0	—0.95	115.0-114.8
October	115.2-115.5	—0.95	115.0-114.5
Dec	117.0-117.4	—1.50	117.0-116.8
Feb	120.8-121.0	—0.90	—
April	120.5-122.8	—1.50	—
June	119.8-123.8	—3.75	—

Sales: 534 (135) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $173.00 (£103.00), down $4.50 (down £2.50) a tonne for May-June delivery. White sugar $188.00, down $3.50.

Sales: 2,112 (2,640) lots of 50 tonnes. Tate and Lyle delivery price for granulated basis sugar was £207.00 (£209.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for May 5: Daily price 6.63 (6.73); 15-day average 6.67 (6.66).

No. 6 Contract	Y'sterd'ys close	Previous close	Business done
	$ per tonne		
Aug	158.8-159.6	154.8-154.6	159.8-151.0
Oct	164.8-165.0	160.2-160.6	165.8-162.8
Dec	167.8-168.4	165.0-164.8	—
Mar	172.8-173.0	169.4-169.0	175.0-167.8
May	176.8-177.2	171.4-172.4	171.4-171.4
Aug	179.8-181.2	175.8-176.0	174.8
Oct	180.8-183.8	178.8-177.8	178.0

PARIS—(FFr per tonne): Aug 1122-1124, Oct 1153-1155, Dec 1170-1180, March 1203-1209, May 1233-1244, Aug 1269-1273.

US MARKETS

PRECIOUS METALS opened lower on mixed selling but soon recovered as the US dollar weakened, reports Drexel Burnham Lambert. Commission house and local buying took values higher in the gold, silver and platinum, but the trade was a noted seller at the highs as the markets closed with pared losses. Copper futures also steadied as continued short-covering in the May position was noted. Crude oil futures rallied on commission house buying which touched off stops and general short-covering in the face of trade scale-up selling and profit-taking. Sugar futures fell on early trade and commission house selling but a constructive EEC tender prompted trade buying and short-covering as the market completed a reversal on the day. Source price-fix selling in coffee futures touched off commission house stops as the market fell sharply. Cocoa futures closed with pared losses following early commission house and trade selling and manufacturer buying at the lows. Cotton futures rallied on technical considerations as commission house buying touched off stops in the face of trade selling. The grains posted modest gains on mixed buying. The meats continued their recent strength with the exception of pork bellies which closed lower following profit-taking.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
May	67.50	67.50	67.50	67.50
June	66.30	66.30	—	—
July	65.50	65.50	65.50	65.50
Sept	63.00	63.00	—	—
Dec	62.50	62.50	62.50	62.50
Jan	62.50	62.50	—	—
March	62.50	62.50	—	—
May	62.50	62.50	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
May	1960	1967	1973	1960
July	1994	2005	2005	1988
Sept	2022	2031	2030	2014
Dec	2053	2063	2062	2050
March	2083	2093	2091	2080
May	2113	2118	—	—
July	2140	2145	—	—

COFFEE "C" 37,500 lb, cents/lb

	Close	Prev	High	Low
May	115.50	120.00	119.50	115.10
July	115.87	120.80	120.20	116.60
Sept	116.26	120.98	120.35	116.20
Dec	117.95	121.84	121.50	117.75
March	119.25	123.13	123.00	119.00
May	121.50	124.40	123.00	122.00
July	122.00	122.86	124.00	122.00
Sept	122.50	125.00	—	—

COPPER 25,000 lb, cents/lb

	Close	Prev	High	Low
May	65.45	64.90	65.55	65.00
June	65.10	64.55	—	—
July	64.75	64.20	64.95	64.20
Sept	64.45	64.00	64.60	64.00
Dec	64.75	64.25	64.90	64.30
Jan	64.90	64.40	64.90	64.90
March	65.15	64.65	65.35	64.70
May	65.55	65.05	65.25	65.25
July	65.95	65.45	66.00	66.00
Sept	66.35	65.85	—	—

COTTON 50,000 lb, cents/lb

	Close	Prev	High	Low
May	65.61	64.50	65.10	64.80
July	65.20	64.15	65.40	64.47
Oct	65.10	64.20	65.20	64.50
Dec	64.92	63.92	64.95	64.25
March	65.55	64.60	65.65	64.95
May	66.00	65.20	65.50	65.50
July	66.45	65.25	—	—

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
June	19.20	19.05	19.24	19.03
July	18.85	18.71	18.88	18.70
August	18.64	18.45	18.68	18.52
Sept	18.55	18.29	18.57	18.35
Oct	18.48	18.19	18.48	18.25
Nov	18.37	18.15	18.45	18.25
Dec	18.41	18.13	18.40	18.21
Jan	18.37	18.11	18.35	18.18
Feb	18.35	18.11	18.30	18.25

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
May	458.6	458.4	—	—
June	460.8	460.8	461.7	456.5
July	463.8	463.6	—	—
August	466.4	466.5	467.5	462.0
Oct	472.0	472.2	472.5	467.0
Dec	477.6	477.8	478.7	472.5
Feb	483.5	483.7	480.5	479.0
April	489.4	489.5	490.0	486.0
June	495.4	495.7	493.0	493.0
Oct	508.8	509.5	—	—
Dec	515.8	516.5	514.5	514.5

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
June	51.00	49.77	51.30	50.20
July	50.90	49.75	50.95	50.15
August	51.20	50.34	51.30	50.70
Sept	51.90	51.04	51.95	51.50
Oct	52.80	51.76	52.95	52.25
Nov	53.00	52.44	53.00	52.95
Dec	53.65	53.14	53.70	53.40

ORANGE JUICE 15,000 lb, cents/lb

	Close	Prev	High	Low
May	133.95	134.10	134.10	133.25
July	130.95	131.65	131.30	130.10
Sept	128.75	129.10	129.30	128.75
Nov	125.90	126.25	126.10	126.00
Jan	125.80	126.25	126.25	126.25
March	125.80	126.25	—	—
May	125.80	126.25	—	—

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
June	620.7	629.2	—	—
July	625.7	623.2	626.6	609.1
Oct	629.9	625.7	632.0	616.0
Jan	636.4	636.5	632.5	630.5
April	642.9	643.5	640.0	634.0
July	649.9	650.5	—	—

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
May	829.6	830.3	840.5	805.0
June	834.0	835.0	845.0	819.0
July	839.0	840.0	852.0	815.0
Sept	849.9	850.8	860.0	828.0
Dec	866.0	866.8	878.0	837.0
Jan	871.4	872.0	—	—
March	882.4	883.0	888.0	865.0
May	894.5	895.5	900.0	887.0
July	907.2	908.0	902.0	882.0

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	Prev	High	Low
July	7.04	6.80	7.06	6.74
Sept	7.21	6.90	7.27	7.15
Oct	7.38	7.10	7.39	7.06
Jan	7.49	7.29	—	—
March	7.73	7.51	7.74	7.47
May	7.94	7.63	7.71	7.56
July	8.03	7.72	8.03	7.77
Oct	8.19	7.98	—	—

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	Prev	High	Low
June	68.82	68.72	69.20	68.60
August	63.42	63.60	63.95	63.12
Oct	62.17	62.70	63.00	62.10
Dec	62.80	63.27	63.55	62.75
Feb	62.77	63.27	63.50	62.65
April	64.42	64.85	65.00	64.35
June	64.50	64.90	65.00	64.45

LIVE HOGS 30,000 lb, cents/lb

	Close	Prev	High	Low
June	54.97	54.22	55.40	54.60
July	52.40	51.85	52.90	52.05
August	48.70	48.62	49.35	48.50
Oct	42.90	42.75	43.35	42.80
Dec	42.60	42.17	42.75	42.22
Feb	41.60	41.60	42.30	41.50
April	39.60	39.42	39.90	38.50
June	41.75	41.40	41.80	41.20
July	41.25	41.05	41.25	41.25

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	Prev	High	Low
May	182.4	181.6	182.8	179.4
July	189.2	187.2	188.6	185.2
Sept	189.2	187.4	189.2	186.0
Dec	190.4	189.0	191.0	187.0
March	197.6	196.0	197.8	194.4
May	200.0	197.6	200.0	197.2
July	201.6	199.2	202.0	198.4

PORK BELLIES 38,000 lb, cents/lb

	Close	Prev	High	Low
May	77.75	77.97	78.72	76.90
July	73.87	74.05	75.05	73.55
August	69.20	69.37	70.50	69.05
Feb	58.17	58.55	59.35	58.40
March	58.40	57.90	58.70	58.40
May	59.50	59.10	59.80	59.50

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	Prev	High	Low
May	540.0	538.4	541.0	536.0
July	543.2	539.6	545.2	538.0
August	543.6	539.4	546.0	538.4
Sept	538.4	534.0	541.4	533.6
Nov	540.6	536.2	543.0	535.0
Jan	547.8	543.8	550.4	542.4
March	558.4	552.0	557.4	550.4
May	562.0	557.0	562.0	556.0
July	562.0	557.0	562.0	559.0

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
May	159.5	158.6	160.4	158.2
July	158.6	157.9	159.2	157.6
August	158.7	158.0	159.0	157.5
Sept	158.8	157.5	159.2	157.5
Oct	159.0	157.8	159.8	157.5
Dec	160.7	158.9	161.0	158.8
Jan	162.0	160.0	162.0	161.0
March	163.0	162.5	163.0	162.0
May	162.5	162.5	162.0	163.0
July	162.5	162.5	162.0	163.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	Prev	High	Low
May	16.59	16.25	16.63	16.24
July	16.87	16.57	16.94	16.53
August	17.06	16.77	17.12	16.75
Sept	17.25	16.95	17.28	16.92
Oct	17.41	17.12	17.43	17.06
Dec	17.71	17.42	17.80	17.40
Jan	17.81	17.55	17.83	17.52
March	18.10	17.86	18.10	17.95

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	Prev	High	Low
May	295.2	295.0	295.4	289.0
July	284.0	282.6	284.6	278.6
Sept	285.6	284.0	285.0	280.6
Dec	291.0	289.0	291.0	287.0
March	290.6	288.0	290.6	286.4
May	280.0	278.4	280.4	279.4

SPOT PRICES: Chicago loose lard 14.00 (same) cents per pound. Handy and Harman silver bullion 835.0 (844.0) cents per troy ounce. New York tin 320-2 (same) cents per pound.

OIL

Crude prices remain stable at Tuesday's firmer levels in moderate trade. June WTI opened 5c up on Nymex and traded 8c up at 1.30 pm EDT. The petroleum products markets were firm as a relative shortage of stock products left short coverers having to pay —Petroleum Argus, London.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—May		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.00-17.05*	+0.075
Brent Blend	19.00-19.30	—
W.T.I. (1pm est)	19.10-19.15*	—
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	195-199	—
Gas Oil	154-156	+3
Heavy fuel Oil	106-107	—
Naphtha	165-167	+1

* June

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yestrdy's close US$ per tonne	+ or —	Business Done
May	154.25	+2.25	154.75-52.50
June	152.75	+1.75	153.75-52.00
July	152.50	+2.00	155.75-52.25
Aug	154.25	+1.50	155.00-54.25
Sept	157.00	+3.00	157.25-56.50
Oct	158.00	—	158.00-56.00

Turnover: 4,888 (5,848) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yesterday close US $ per tonne	+ or —	Business Done
May	113.00	—	113.00-11.00
June	105.75	—	105.75-3.50
July	103.00	—	104.00-3.00

Turnover: 45 (nil) lots of 100 tonnes.

FOREIGN EXCHANGES

Dollar fears over auctions

THE DOLLAR was slightly firmer yesterday, but this appeared to be largely a technical reaction to its recent losses.

Underlying sentiment remained bearish during the programme of US Treasury auctions. Tuesday's sale of 3-year notes was not as bad as the worst fears, but was not regarded as a success, with the average yield of 7.91 per cent the highest since February last year.

This did not provide a good background for last night's 10-year auction or the important 30-year bond auction tonight, when Japanese demand is only expected to be moderate at best.

Dealers paid little regard to the comment by Mr Satoshi Sumita, Governor of the Bank of Japan, that the US and Japan had agreed to co-operate in order to avoid even a gradual rise of the yen against the dollar, but until further information from the auctions was available were not prepared to put further pressure on the US currency.

The dollar rose to DM 1.7725 from DM 1.7690; to FFr 5.9275 from FFr 5.9175; and to Y139.15 from Y138.70, but was unchanged at SFr 1.4535.

On Bank of England figures the dollar's index fell to 99.5 from 99.7.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. April average 1.6316. Exchange rate index rose 0.2 to 73.7, compared with 68.5 six months ago.

The Bank of England intervened to stem sterling's advance yesterday as the pound touched a peak of DM 2.9925. Most of the intervention was to buy dollars, but this also helped slow the rise against the D-mark. Demand for sterling remained strong ahead of today's local government elections amid expectations these will provide the platform for a UK general election in June.

The pound finished unchanged at DM 2.9875, and eased 35 points to $1.6845-1.6855. Sterling also fell to FFr 9.9875 from FFr 9.9925 and to SFr 2.45 from SFr 2.4550, but rose to Y234.50 from Y234.25.

D-MARK—Trading range against the dollar in 1987 is 1.9385 to 1.7690. April average 1.8112. Exchange rate index 147.4 against 141.1 six months ago.

The D-mark lost ground to the dollar yesterday, after Mr Karl Otto Poehl, President of the West German Bundesbank, hinted in a speech at lower German interest rates. This led to speculation atto-day's Bundesbank council meeting would agree to trim the rate on securities repurchase agreements from the present level of 3.80 per cent. Mr Gerhard Stoltenberg, West German Finance Minister, is due to attend today's meeting.

Dealers also noted weak German industrial production figures for March, but suggested the US currency was expected to show a technical recovery, after its recent fall, and there had been no change in underlying sentiment.

At the Frankfurt fixing the Bundesbank did not intervene when the dollar rose to DM 1.7760, from DM 1.7640 on Tuesday. The dollar closed at DM 1.7735 in Frankfurt, compared with DM 1.7670.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. April average 142.86. Exchange rate index 226.9 against 206.3 six months ago.

The yen rose against the dollar in quiet Tokyo trading. The comment by the Governor of the Bank of Japan, about avoiding even a gradual rise of the yen against the dollar, came too late to have any impact in Tokyo, but the market is unlikely to be impressed by such comments, particularly when the Governor added a cut in the Japanese discount rate would be inappropriate.

The dollar fell to Y138.60 from Y138.85 overnight in New York, and from Y140.30 on Friday in Tokyo.

£ IN NEW YORK

May 6	Latest	Previous Close
£ Spot	1.6845-1.6855	1.6820-1.6830
1 month	0.30-0.29 pm	0.31-0.29 pm
3 months	0.67-0.64 pm	0.65-0.62 pm
12 months	0.98-0.93 pm	1.07-0.99 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

		May 6	Previous
8.30	am	73.5	73.4
9.00	am	73.6	73.4
10.00	am	73.6	73.4
11.00	am	73.6	73.5
Noon		73.6	73.5
1.00	pm	73.7	73.5
2.00	pm	73.7	73.5
3.00	pm	73.7	73.5
4.00	pm	73.7	73.5

CURRENCY RATES

May 6	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.779251	0.695396
U.S. Dollar	5.5	1.31031	1.17025
Canadian $	7.90	*	1.56521
Austrian Sch.	4	16.3579	14.6141
Belgian Franc	8	48.2816	43.1062
Danish Krone	7	8.74894	7.81727
Deutsche Mark	3.0	N/A	2.07837
Neth. Guilder	4½	2.62455	2.34272
French Franc	9½	7.78128	6.94895
Italian Lira	11.5	N/A	1488.85
Japanese Yen	2½	182.264	162.665
Norway Krone	8	8.68211	7.75174
Spanish Peseta	—	163.134	145.638
Swedish Krona	7½	8.14620	7.27428
Swiss Franc	3.5	1.91436	1.70740
Greek Drach.	20½	173.223	154.777
Irish Punt	—	0.870638	0.777575

*CS/SDR rate for May 5: 1.76561

CURRENCY MOVEMENTS

May 6	Bank of England Index	Morgan Guaranty Changes %
Sterling	73.7	−19.9
U.S. Dollar	99.5	−7.2
Canadian Dollar	76.7	−11.5
Austrian Schilling	138.4	+10.1
Belgian Franc	100.3	−4.5
Danish Krone	93.7	+3.7
Deutsche Mark	147.4	+21.7
Swiss Franc	175.6	+24.0
Guilder	135.5	+14.3
French Franc	71.7	−13.0
Lira	47.9	−17.2
Yen	226.9	+69.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 6	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1062	+1.53	+0.85	±1.5344
Danish Krone	7.85212	7.81727	−0.44	−1.12	±1.6404
German D-Mark	2.05853	2.07837	+0.96	+0.28	±1.0981
French Franc	6.90403	6.94895	+0.65	−0.03	±1.3674
Dutch Guilder	2.31943	2.34272	+1.00	+0.32	±1.5012
Irish Punt	0.768411	0.777575	+1.19	+0.51	±1.6684
Italian Lira	1483.58	1488.85	+0.36	+0.36	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

May 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6800-1.6875	1.6845-1.6855	0.32-0.29c pm	2.17	0.70-0.65 pm	1.60
Canada	2.2480-2.2570	2.2540-2.2550	0.31-0.21c pm	1.38	0.40-0.28 pm	2.29
Netherlands	3.36-3.37¼	3.36-3.37	1¼-1c pm	4.01	3⅛-2⅞ pm	3.57
Belgium	61.85-62.08	61.90-62.00	15-5c pm	1.94	30-20 pm	1.61
Denmark	11.21-11.25	11.21-11.22	Par-¼ ore dis	−0.13	3⅜-4½ dis	−1.45
Ireland	1.1120-1.1205	1.1185-1.1195	0.10-0.22 p dis	−1.72	0.25-0.50 dis	−4.02
W. Germany	2.98-2.99¼	2.98¾-2.99¾	1½-1¼pf pm	5.52	3⅞-3⅝ pm	5.02
Portugal	231.14-232.88	231.80-232.80	75-160c dis	−6.07	310-445 dis	−6.50
Spain	209.00-209.58	209.00-209.30	125-295c dis	−12.05	385-595 dis	−9.37
Italy	2136½-2143¼	2137¼-2138¾	Par-2 lire dis	−0.56	3-8 dis	−1.03
Norway	11.11¼-11.16½	11.13-11.14	⅛-⅝ ore dis	−0.55	16-16⅞ dis	−5.90
France	9.97¾-10.00¼	9.98¼-9.99¼	⅞-⅜ c pm	0.75	1⅛-⅝ pm	0.40
Sweden	10.44¼-10.48¼	10.45-10.46	¼pm-¼ ore dis	—	1⅝-2⅛ dis	−0.70
Japan	233¼-235	234-235	1¼-1 y pm	5.76	3⅛-2⅞ pm	5.12
Austria	20.94-21.05	21.02-21.05	9¼-8 gro pm	4.92	24-21⅞ pm	4.34
Switzerland	2.44½-2.45¼	2.44½-2.45½	1⅜-1⅛ c pm	6.12	3⅞-3 pm	5.20

Belgian rate is for convertible francs. Financial franc 62.40-62.50. Six-month forward dollar 1.03-0.98 c pm. 12-month 1.26-1.16 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

May 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6800-1.6875	1.6845-1.6855	0.32-0.29c pm	2.17	0.70-0.65 pm	1.60
Ireland†	1.5033-1.5105	1.5090-1.5100	0.53-0.47c pm	3.99	1.12-0.90 pm	2.68
Canada	1.3350-1.3380	1.3365-1.3375	0.09-0.12c dis	−0.94	0.37-0.41 dis	−1.16
Netherlands	1.9920-2.0070	1.9965-1.9975	0.33-0.30c pm	1.89	1.03-0.98pm	2.01
Belgium	36.70-36.90	36.70-36.80	1pm-1 c dis	—	1pm-1 dis	—
Denmark	6.65¼-6.68½	6.65¼-6.65¾	1.70-2.20ore dis	−3.50	4.15-4.65 dis	−2.63
W. Germany	1.7665-1.7780	1.7720-1.7730	0.52-0.49pf pm	[illegible]	[illegible]	[illegible]
Portugal	137¼-137¾	137¼-137½	70-115c dis	[illegible]	[illegible]	[illegible]
Spain	123.95-124.05	123.95-124.05	75-175c dis	[illegible]	[illegible]	[illegible]
Italy	1267-1273½	1268¾-1269¼	2.50-3.20lire dis	[illegible]	[illegible]	[illegible]
Norway	6.60½-6.63	6.60½-6.61	4.00-4.35ore dis	[illegible]	[illegible]	[illegible]
France	5.91¼-5.94¼	5.92½-5.93	0.55-0.65c dis	[illegible]	[illegible]	[illegible]
Sweden	6.20-6.22	6.20¼-6.20¾	1.10-1.25ore dis	[illegible]	[illegible]	[illegible]
Japan	138.25-139.45	139.10-139.20	0.41-0.38y pm	[illegible]	[illegible]	[illegible]
Austria	12.44½-12.49½	12.46½-12.47	3.20-2.80gro pm	[illegible]	[illegible]	[illegible]
Switzerland	1.4495-1.4625	1.4530-1.4540	0.52-0.48c pm	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.00-37.10.

EURO-CURRENCY INTEREST RATES

[illegible]

Long-term Eurodollars: Two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

US bonds recover

US TREASURY bond prices were firmer in the London International Financial Futures Exchange yesterday. The June price opened at 91-04 up from 91-02 on Tuesday and rose to a best level of 91-25 before coming back to finish at 91-11. The high was reached after the opening of markets in Chicago and came despite a less than enthusiastic response to the three-year note auction.

However with the dollar already showing considerable losses against the yen, there was a growing feeling that Japanese participation in the 30-year auction could be quite strong on suggestions that the dollar's value against the yen was unlikely to be much lower than current levels when viewed on a long-term basis.

Three-month Euro-dollar deposits for June delivery found good support at the lower levels after opening unchanged for June delivery at 92.46. The apparent tightening by the Federal authorities was viewed as a short term move, underpinned by the absence of any rise in the US discount rate. Sentiment was also influenced by rumours that next week's Treasury bill auction would be postponed because of potential problems with the debt ceiling. Consequently the June prices touched a high of 96.52 before finishing at 92.51.

Long gilt prices opened at 127-17 for June delivery and eased quite quickly to 127-13 before trading for most of the day between 127-07 and 127-12. There was obviously some short term disappointment that clearing bank base rates had not been cut but with sterling continuing to improve sentiment remained bullish. There may have been some slightly hesitation ahead of today's local elections, the results of which are expected to determine the timing of the next general election. The price touched a low of 127-01 before closing at 127-07 still down from 127-19 on Tuesday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
120	7.14	8.10	0.00	0.02
122	5.15	6.27	0.01	1.19
124	3.23	5.05	0.09	1.61
126	1.49	3.60	0.35	2.52
128	0.48	2.60	1.34	3.52
130	0.18	2.10	3.04	5.02
132	0.05	1.35	4.55	6.27
134	0.01	1.07	6.15	7.63

Estimated volume total, Calls 3,189 Puts 801
Previous day's open int: Calls 27,791 Puts 14,540

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
82	9.22	9.02	0.00	0.36
84	7.22	7.25	0.00	0.59
86	5.25	5.59	0.03	1.29
88	3.35	4.40	0.13	2.10
90	1.61	3.33	0.39	3.03
92	0.54	2.39	1.32	4.09
94	0.18	1.50	2.60	5.20
96	0.04	1.15	4.46	6.49

Estimated volume total, Calls 31 Puts 194
Previous day's open int: Calls 1,035 puts 1,000

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last May	Calls—Last June	Puts—Last May	Puts—Last June
19000	20.12	20.58	0.02	0.48
19250	17.65	18.33	0.05	0.73
19500	15.21	16.16	0.11	1.06
19750	12.84	14.10	0.24	1.50
20000	10.57	12.16	0.47	2.06
20250	8.46	10.37	0.86	2.77
20500	6.54	8.73	1.44	3.63
20750	4.88	7.26	2.28	4.66

Estimated volume total, Calls 5 Puts 12
Previous day's open int: Calls 259 Puts 208

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last May	June	July	Sept.	Puts—Last May	June	July	Sept.
1.45	23.75	23.75	—	23.75	0.00	0.00	—	0.05
1.50	18.75	18.75	18.75	18.75	0.00	0.00	0.02	0.20
1.55	13.75	13.75	13.75	13.75	0.00	0.02	0.13	0.60
1.60	8.75	8.75	8.82	9.40	0.00	0.22	0.58	1.50
1.65	3.76	4.50	5.04	6.03	0.10	1.10	1.80	3.13
1.70	0.53	1.69	2.38	3.49	1.87	3.29	4.14	5.59
1.75	0.01	0.44	0.92	1.84	6.35	7.04	7.68	8.94

Estimated volume total, Calls 133 Puts 20
Previous day's open int, Calls 1,214 Puts 1,756

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last May	June	July	Sept.	Puts—Last May	June	July	Sept.
1.45	23.75	23.75	—	23.75	0.00	0.00	—	0.05
1.50	18.75	18.75	18.75	18.75	0.00	0.00	0.02	0.20
1.55	13.75	13.75	13.75	13.75	0.00	0.02	0.13	0.60
1.60	8.75	8.75	8.82	9.40	0.00	0.22	0.58	1.50
1.65	3.76	4.50	5.04	6.03	0.10	1.10	1.80	3.13
1.70	0.53	1.69	2.38	3.49	1.87	3.29	4.14	5.59
1.75	0.01	0.44	0.92	1.84	6.35	7.04	7.68	8.94

Estimated volume total, Calls 133 Puts 20
Previous day's open int, Calls 1,214 Puts 1,756

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last May	June	July	Sept.	Puts—Last May	June	July	Sept.
1.400	—	—	—	28.20	—	—	—	—
1.450	33.20	23.20	—	23.20	—	—	—	—
1.475	20.70	—	—	30.70	—	—	—	—
1.500	18.20	—	—	18.20	—	—	—	—
1.525	15.70	18.20	15.70	15.70	—	—	—	—
1.550	13.30	15.70	13.20	13.20	—	0.05	—	—
1.575	10.70	—	10.70	11.00	—	—	—	1.00

Previous day's open int: Calls 73,723 Puts 60,848
Previous day's volume, Calls 2,888 Puts 4,396

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last May	June	July	Sept.	Puts—Last May	June	July	Sept.
1.400	—	—	—	28.20	—	—	—	—
1.450	33.20	23.20	—	23.20	—	—	—	—
1.475	20.70	—	—	30.70	—	—	—	—
1.500	18.20	—	—	18.20	—	—	—	—
1.525	15.70	18.20	15.70	15.70	—	—	—	—
1.550	13.20	15.70	13.20	13.20	—	0.05	—	—
1.575	10.70	—	10.70	11.00	—	—	—	1.00

Previous day's open int: Calls 73,723 Puts 60,848
Previous day's volume, Calls 2,888 Puts 4,396

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
June	127-07	127-18	127-11	127-19
Sept.	127-04	127-11	127-02	127-19
Dec.	127-04	—	—	127-19

Estimated volume 24,005 (33,044)
Previous day's open int. 23,109 (23,281)

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

[illegible]

THREE-MONTH STERLING
£500,000 points of 100%

[illegible]

FT-SE 100 INDEX
£25 per full index point

[illegible]

THREE-MONTH EURODOLLAR
$1m points of 100%

[illegible]

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
June	91-24	91-31	91-12	91-19
Sept.	90-25	90-31	90-31	90-19
Dec.	89-28	90-01	89-18	89-21
Mar.	89-01	89-05	88-23	88-25
June	88-06	88-06	88-06	88-00
Sept.	87-15	87-15	87-09	87-09
Dec.	87-00	0	0	86-19
Mar.	—	0	0	85-31
June	—	0	0	0
Sept.	[illegible]	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BILLS (IMM)
$1m points of 100%

[illegible]

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

[illegible]

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
June	0.7217	0.7233	0.7209	0.7227
Sept.	0.7283	0.7297	0.7270	0.7293
Dec.	0.7355	0.7355	0.7350	0.7365
Mar.	—	—	—	0.7443
June	—	—	—	0.7527

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

[illegible]

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

[illegible]

STANDARD & POORS 500 INDEX
$500 times index

[illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

[illegible]

IMM—STERLING Se per £

[illegible]

LIFFE—STERLING £25,000 $ per £

[illegible]

FT LONDON INTERBANK FIXING

[illegible]

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

[illegible]

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKETS

No signal on rates

INTEREST RATES continued to discount at least a half point cut in UK clearing bank base rates. The authorities remained cautious, trying to offset the market's exuberance. Many dealers saw the delay in a cut in rates as a political move with local elections today and the result of these elections probably determining the timing of a general election.

UK clearing bank base lending rate 9½ per cent since April 28

Traders had been looking for some sort of signal from the authorities today as they attempted to cope with a very large shortage. However the forecast showed a relatively modest shortfall in credit, influenced no doubt to some extent by the Bank's recent activity in currency markets. Consequently there was little problem in taking out the shortage with houses selling very short term paper outright.

Overnight money in the interbank market traded between 10⅛ per cent and 7 per cent while three-month money stayed at 9⅜-9¼ per cent.

The Bank of England forecast a shortage of around £350m with factors affecting the market including the repayment of any late assistance and bills maturing in official hands together with a take up of Treasury bills draining £1,079m and banks' balances brought forward £40m below target. There was also a nominal rise in the note circulation of £5m. These were partly offset by Exchequer transactions which added £790m.

The forecast was revised to a shortage of around £300m but the Bank gave no assistance in the morning.

In the afternoon it was revised again, this time back to a shortage of £350m and the Bank gave assistance of £265m through outright purchases of £94m of Treasury bills and £57m of eligible bank bills in band 1 at 9¾ per cent and £145m of eligible bank bills in band 2 at 9⅝ per cent. Late help came to £165m, making a total of £430m.

In Frankfurt the Bundesbank accepted bids of DM 5.5bn at the latest sale and repurchase tender at a fixed rate of 3.8 per cent. However with call money trading below this rate, traders were hopeful of a reduction in some short term rates possibly as soon as today's meeting of the central council while a net draining of around DM 2bn after today's repurchase agreement is not seen a affecting liquidity levels, with central bank support for the dollar seen as helping to swell the supply of short term credit.

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY MAY 6 1987					TUESDAY MAY 5 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (94)	132.61	+0.4	116.68	124.10	2.83	132.10	115.99	123.71	134.48	99.92	96.57
Austria (16)	92.80	−0.5	81.65	85.43	2.20	93.29	81.91	85.61	101.62	91.10	91.04
Belgium (47)	119.96	−0.2	105.55	109.61	4.34	120.14	105.49	109.77	122.35	96.19	81.50
Canada (131)	128.42	+1.2	112.99	124.32	2.31	126.92	111.44	123.33	136.17	100.00	98.85
Denmark (39)	117.13	+0.5	103.06	106.02	2.38	116.57	102.36	105.51	124.10	98.18	101.87
France (122)	120.66	+0.3	106.17	112.19	2.46	120.27	105.60	111.64	121.08	98.39	94.25
West Germany (90)	95.83	+1.0	84.31	88.30	2.13	94.92	83.34	87.29	100.33	84.00	89.27
Hong Kong (45)	106.47	+2.7	93.68	106.71	3.12	103.62	90.98	103.85	114.71	96.89	74.94
Ireland (14)	128.14	−0.5	112.75	119.62	3.56	128.77	113.07	120.08	131.44	99.50	92.71
Italy (76)	109.71	−1.6	96.53	103.97	1.58	111.53	97.93	105.53	112.11	94.76	96.19
Japan (458)	157.49	−0.5	138.57	138.53	0.48	158.23	138.94	138.73	158.23	100.00	75.16
Malaysia (36)	152.66	+0.1	134.32	144.99	2.64	152.55	133.95	144.85	155.25	98.24	67.94
Mexico (14)	180.26	+0.0	158.61	236.31	0.91	180.26	158.28	236.31	180.98	99.72	51.03
Netherland (38)	116.16	+1.5	102.20	105.87	4.20	114.40	100.45	104.14	118.24	99.65	85.57
New Zealand (27)	95.39	+0.1	83.93	87.56	3.09	95.28	83.66	87.37	100.59	83.93	70.33
Norway (24)	125.24	−3.5	110.19	112.32	2.24	129.80	113.97	116.34	139.79	100.00	97.85
Singapore (27)	127.47	+0.3	112.15	124.53	1.90	127.14	111.64	124.21	127.47	99.29	58.01
South Africa (61)	176.49	−4.2	155.29	120.58	3.45	184.18	161.72	120.20	186.74	100.00	92.41
Spain (43)	106.25	−2.1	93.49	99.81	4.05	108.56	95.32	102.10	121.31	100.00	87.24
Sweden (33)	124.68	+0.4	109.70	114.52	2.02	124.15	109.01	113.86	124.68	90.85	87.70
Switzerland (51)	99.87	+0.9	87.87	90.00	1.91	98.98	86.91	89.19	104.06	93.26	85.09
United Kingdom (340)	140.36	+0.7	123.50	123.50	3.36	139.31	122.32	122.32	140.36	99.65	100.04
USA (597)	121.07	+0.0	106.52	121.07	2.99	121.03	106.27	121.03	124.06	100.00	99.20
Europe (933)	120.04	+0.4	105.62	108.51	2.90	119.54	104.96	107.87	120.04	99.78	93.88
Pacific Basin (687)	154.66	−0.4	136.08	136.82	0.62	155.25	136.31	136.92	155.25	100.00	75.82
Euro−Pacific (1620)	140.85	−0.1	123.93	125.54	1.40	141.00	123.81	125.35	141.00	100.00	82.94
North America (728)	121.46	+0.1	106.86	121.26	2.95	121.34	106.54	121.17	124.60	100.00	99.18
World Ex. US (1826)	140.82	−0.1	123.90	129.01	1.45	140.99	123.79	128.78	140.99	100.00	83.57
World Ex. UK (2083)	132.39	−0.2	116.49	124.10	1.86	132.59	116.42	124.05	132.59	100.00	88.71
World Ex. So. Af. (2362)	132.81	+0.0	116.86	124.02	1.99	132.86	116.65	123.87	132.86	100.00	89.66
World Ex. Japan (1965)	121.50	+0.2	106.90	116.78	2.93	121.28	106.49	116.45	121.50	100.00	96.62
The World Index (2423)	133.09	−0.1	117.10	124.02	2.00	133.18	116.94	123.87	133.18	100.00	89.67

Base values: Dec 31, 1986 = 100

EUROPEAN OPTIONS EXCHANGE

Series		May 87 Vol.	May 87 Last	Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Stock
GOLD C	$390	—	—	16	78	—	—	$456.50
GOLD C	$400	—	—	10	65	16	78	"
GOLD C	$420	128	38	—	—	—	—	"
GOLD C	$440	164	19.90	—	—	42	49.50	"
GOLD C	$460	261	6	33	27.50	—	—	"
GOLD C	$480	291	1.80	178	19	32	30	"
GOLD C	$520	—	—	236	9	—	—	"
GOLD P	$390	—	—	30	2.10	—	—	"
GOLD P	$400	—	—	130	4.50	—	—	"
GOLD P	$420	—	—	67	8.90	—	—	"
GOLD P	$440	—	—	33	14	—	—	"
GOLD P	$460	20	7.50	16	22	225	27.50	"
		Jun 87		Sep 87		Dec 87		
SILVER C	$850	9	90	—	—	27	150	$823
SILVER C	$900	14	55	22	100	—	—	"
SILVER P	$700	—	—	—	—	20	508	"
£/Fl C	Fl.325	25	12	—	—	—	—	Fl.337.18
£/Fl C	Fl.340	—	—	25	4	—	—	"
		May 87		Jun 87		Jul 87		
$/Fl C	Fl.195	—	—	10	6.50	—	—	Fl.200.05
$/Fl C	Fl.200	5	1.90	21	3.50	57	48	"
$/Fl C	Fl.205	5	0.40	40	1.60	11	2.10A	"
$/Fl C	Fl.210	—	—	37	0.50	21	1.10	"
$/Fl P	Fl.190	—	—	5	0.95	—	—	"
$/Fl P	Fl.195	554	0.50A	—	—	—	—	"
$/Fl P	Fl.200	96	1.70	39	3.30	—	—	"
$/Fl P	Fl.205	35	5	14	7.20	—	—	"
$/Fl P	Fl.210	22	10	—	—	—	—	"
		Sep 87		Dec 87		Mar 88		
$/Fl C	Fl.190	—	—	—	—	25	13	Fl.200.05
$/Fl C	Fl.195	21	8.50	—	—	—	—	"
$/Fl C	Fl.200	45	5.80	19	6.80	25	8	"
$/Fl C	Fl.205	—	—	15	5	9	6	"
$/Fl C	Fl.210	19	2.40	15	3.40	6	4.50	#
$/Fl C	Fl.220	—	—	20	1.70	—	—	"
$/Fl P	Fl.190	5	2.90A	16	4.30	—	—	"
		July 87		Oct 87		Jan 88		
ABN C	Fl.520	150	10.30	23	20	1	28.50	F493.50
ABN P	Fl.500	103	19.50	35	29	—	—	"
AEGON C	Fl.90	68	4	15	5.60	—	—	Fl.89.50
AHOLD C	Fl.115	47	1.70	1	3	—	—	Fl.107.50
AHOLD P	Fl.105	45	3	—	—	—	—	"
AKZO C	Fl.140	538	2.40	194	5.20	11	7	Fl.129.30
AKZO P	Fl.130	364	4.50	182	6.30	6	8	"
AMEV C	Fl.65	20	1.90	18	3.40	3	4.50	Fl.62.70
AMEV P	Fl.60	15	2.40	23	3.30B	8	4.70A	"
AMRO C	Fl.80	85	2.30	143	4.30	13	5.50	Fl.76
AMRO P	Fl.75	301	2	180	3.70	17	5.20	"
ELSEVIER C	Fl.54	26	1.10	20	2.50	—	—	Fl.51.20
ELSEVIER P	Fl.50	50	1.50	10	2	—	—	"
GIST-BROC C	Fl.45	120	1.50	5	3	—	—	Fl.44
GIST-BROC P	Fl.45	33	3.20	29	4.10	—	—	"
HEINEKEN C	Fl.180	59	5.40B	14	8	—	—	Fl.177.50
HOOGOVENS C	Fl.35	488	6	27	7	10	7.50	Fl.40.10
HOOGOVENS P	Fl.35	429	1.20	39	2.20	—	—	"
KLM C	Fl.45	2356	2	186	2.80B	67	3.90	Fl.43.90
KLM P	Fl.45	193	3	15	4.50	10	4.80	"
NED. LLOYD C	Fl.140	98	6.30	—	—	2	10.50	Fl.143.10
NED. LLOYD P	Fl.150	20	13.70	2	17.50	1	21	"
NAT. NED. C	Fl.75	224	1.80	40	2.80	19	4.20	Fl.70.70
NAT. NED. P	Fl.70	143	2.80	186	4.10	3	5	"
PHILIPS C	Fl.55	1839	1	439	2	81	3	Fl.49.10
PHILIPS P	Fl.50	378	2.50	223	3.40	56	4	"
ROYAL DUTCH C	Fl.240	1188	7.50	99	9.70	3	14	Fl.245.20
ROYAL DUTCH P	Fl.220	273	1.60B	3	3.50	—	—	"
UNILEVER C	Fl.620	235	7.50	21	18	1	25	Fl.587
UNILEVER P	Fl.560	223	10	8	15	1	20	"

TOTAL VOLUME IN CONTRACTS: 37,865

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	9½	● Charterhouse Bank	9½	Midland Bank	9½
Adam & Company	9½	Citibank NA	9½	● Morgan Grenfell	9½
Allied Arab Bk Ltd	9½	Citibank Savings	¶12.45	Mnt Credit Corp. Ltd	9½

HOLIDAY AND TRAVEL ADVERTISING is published on Wednesday and Saturday

For details of Advertising Rates contact: Deirdre Venables, Financial Times, Bracken House, 10 Cannon St., London, EC4P 4BY. Telephone: 01-248 8000, Ext. 3231.

FT CROSSWORD PUZZLE No 6,320

HIGHLANDER

ACROSS

1 Wine vaults? (6)
4 For example, foils team members (4, 4)
10 Supporting post for leading Conservative (7)
11 Wash the French one in Paris—and the German? (7)
12 Frame it quietly (4)
13 Stateswoman's remark has a cutting edge (10)
15 Sent off for wearing armour (6)
16 Behave eccentrically with equipment for moving sleeper (7)
20 Put down on the rocks first of all, then land (7)
21 Regulate the flow with foil (6)
24 Singer has key there wrong completely (10)
26 Eastern European staff (4)
28 Riotous Rita—French-born—could be Aintree starter (7)
29 Trooped off to attack ship (7)
30 Old king's regulation covering salad (8)
31 Range sounds almost immense (6)

DOWN

1 Reportedly cultivated a quantity? That's ghastly (8)
2 Police function is attracting attention (9)
3 About turn and depart hence (4)
5 Idle, flat, muddled, hapless (3-5)
6 A rein has broken and wrapped round hunt rider (10)
7 Initially rose at dawn in order to broadcast (5)
8 Walk—don't start with legs apart (6)
9 Jump into launch (5)
14 Effects exist before desires (10)
17 Felt bad about son's scraps (9)
18 Writing an article on the master is something detestable (8)
19 Not many about further down when lycanthrope turns up (8)
22 Finesse one with first card to make trick (6)
23 Barney has to begin working (3-2)
25 Follow the footpath (5)
27 A simple tune turned into elaborate accompanied solo (4)

Solution to Puzzle No. 6,319

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

MGM Unit Managers Ltd
MGM House, Heene Rd, Worthing 01-623 8211

High Inc	285.5	303.7xd	+2.7	4.69
(Accum Units)	353.0	375.5	+3.4	4.69
UK Growth	353.6	376.1xd	+2.6	2.20
(Accum Units)	375.6	399.5	+2.7	2.20

MLA Unit Trust Management
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 674751

MLA Gen. Tst	42.4	44.9	+0.5	1.46
MLA Income Trust	55.6	58.9xd	+0.1	5.82
MLA Int	61.9	65.6xd	-0.2	0.80
MLA Gilt Unit Tst	25.1	26.8xd	—	9.70
MLA European Trust	34.4	36.6	-0.1	0.68
MLA American Tst	27.3	28.9	+0.9	0.86
MLA Emerging Mkt. Tst	23.7	25.1	-0.1	0.70

ManuLife Management Ltd
St George's Way, Stevenage 0438 356101

Gilt&Fxd Int	122.8	127.1	—	6.88
Growth Units	101.9	108.3	—	2.52
High Income Unit	143.7	152.7xd	—	3.87
High Yielding Gilt Uts	61.6	65.0xd	—	8.47
Intl Growth Unit Tst	152.9	162.5xd	—	0.19
UK Smaller Cos.	115.6	122.9	—	1.52
North American	78.4	83.3	—	0.36
Far East	138.7	147.4	—	0.02

Mayflower Management Co Ltd
No. 1 London Bridge, London, SE1 9QU 01-378 7000

Income April 13	313.0	330.0	—	3.35
General April 13	248.8	261.5	—	1.87
International April 13	147.6	157.1	—	0.67
Global Inc Fd April 13	48.0	51.1	—	5.35

Medical Investments Limited
4 Sandys Row, London E1 7HW. 01-247 1167/8/9

Health Fund	48.6	51.3	—	—

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

International Growth	305.9	326.5	+3.0	0.97
Income	236.1	251.5xd	+1.6	3.57
Worldwide Recovery	167.5	178.8	—	1.65
American Growth	73.8	78.8	+0.5	0.88
Intl. Emerging Cos.	91.9	98.2	—	0.70
Far East Growth Fd	100.7	107.4	+0.7	0.74
European Growth Fd	63.6	67.9	-1.2	1.04

Prolific Unit Trust Managers Limited.
222 Bishopsgate, London EC2 01-247 7544/7

Prolific American Inc.	57.2	60.9	+0.8	3.85
Prolific S'tert & Gilt	119.8	127.5	+0.3	4.56
Prolific Euro Gilt&Lin	50.5	53.8	-0.5	2.59
Prolific Extra Inc	120.7	128.5	+0.9	3.37
Prolific Far East	205.8	220.2xd	-3.7	—
Prolific High Inc	82.1	87.5xd	+0.6	3.12
Prolific Intl	146.5	155.9	+1.5	0.24
Prolific N. Amer.	128.5	137.5xd	+2.2	—
Prolific Spec. Sits	99.3	105.7	+0.6	0.74
Prolific Technology	142.6	152.6	+2.1	—

Providence Capital Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

Japan Inc	99.5	105.9xd	-0.5	—
Japan Acc	99.8	106.2	-0.4	—
Worldwide Inc	77.8	82.4	-0.4	1.08
Worldwide Acc	79.2	83.9	+0.4	1.08
European Tst Inc	93.4	99.4xd	-0.5	0.34
European Tst Acc	94.0	100.0	-0.5	0.34
North American Inc	63.1	67.2	+1.7	1.29
North American Acc	64.0	68.1	+1.7	1.29
UK Equity Inc	83.1	88.0	+0.6	1.87
UK Equity Acc	86.9	92.4	+0.7	1.87
UK High Inc Eqty Inc	61.6	65.2	+0.3	4.68
UK High Inc Eqty Acc	62.8	66.5	+0.4	4.68
Hong Kong Trust	45.7	48.4	+1.3	0.37
Swiss Equities Trust	44.9	47.8	-0.4	1.95

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

PM Equity Growth	101.6	108.1	+0.2	0.67

Scottish Widows' Fund Management
PO Box 902, Edinburgh

Peg Eq Acc; Peg Eq Inc; Peg High Int Acc; Peg High Inc; Peg Europe Acc; Peg Europe Inc; Peg N Amer; Peg N. Amer Inc; Peg Pacific Acc; Peg Global Acc; Peg Global Inc

Sentinel Funds Mngmt Ltd
30 City Road, London EC
Dealing: 01-628 6626

American Majors; Amer Tech & Gold Fd; European Growth; European Income; European Special Sits; Exempt; Far East Emerg Econs; Intnl Growth Fd; International Income; Jap Tech & Genl; Pacific Fund; Secure Income Fd; Small Co's Fd; Special Sits; UK General Fund; UK Top 100 Managed Fd

Smith & Williamson Unit Trust Mngrs
1 Riding House St, London

S & W American; S & W Growth Trust; S & W Income Trust; S & W Smaller Secs

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

M & G Group—Contd.
Pensions Funds

American (Cap)	301.1	316.3	(z)	—
American (Acc)	420.0	441.1	(z)	—
Building Soc (Cap)	94.2	99.0	(z)	—
Building Soc (Acc)	131.4	138.0	(z)	—
Deposit (Cap)	154.3	162.1	(z)	—
Deposit (Acc)	215.2	226.1	(z)	—
European (Cap)	140.1	147.2	(z)	—
European (Acc)	195.5	205.3	(z)	—
Equity (Cap)	408.3	428.9	(z)	—
Equity (Acc)	569.1	597.6	(z)	—
Gilt (Cap)	248.8	261.4	(z)	—
Gilt (Acc)	347.0	364.4	(z)	—
Gold (Cap)	111.0	116.6	(z)	—
Gold (Acc)	154.8	162.7	(z)	—
Index-Linked (Cap)	91.2	97.9	(z)	—
Index-Linkd Gilt (Acc)	129.9	136.5	(z)	—
International (Cap)	108.5	114.0	(z)	—
International (Acc)	157.3	159.0	(z)	—
Japn Inc (Cap)	103.7	109.0	(z)	—
Ind Inc (Acc)	144.6	151.9	(z)	—
Japan (Cap)	146.2	153.6	(z)	—
Japan (Acc)	203.9	214.2	(z)	—
Managed (Cap)	313.5	329.3	(z)	—
Managed (Acc)	437.2	459.2	(z)	—
PPP Fund (Cap)	299.8	314.8	(z)	—
PPP Fund (Acc)	418.1	439.1	(z)	—
Pacific (Cap)	256.6	269.5	(z)	—
Pacific (Acc)	357.9	375.9	(z)	—
Property (Cap)	132.2	138.9	(z)	—
Property (Acc)	184.2	193.5	—	—
Recovery (Cap)	199.4	209.5	(z)	—
Recovery (Acc)	278.1	292.1	(z)	—
UK Income (Cap)	113.4	119.2	(z)	—
UK Income (Acc)	158.2	166.2	(z)	—
Personal Pension (Acc)	1676.5	1676.5	(z)	—

MGM Assurance
MGM House, Heene Rd, Worthing 0903 204631

UK Equity	219.7	231.3	+1.1	—
Do. Accum	245.7	258.7	+1.3	—
Special Situations	200.5	211.1	+0.2	—
Do. Accum	224.6	236.3	+0.2	—
North American	175.0	184.3	+3.7	—
Do. Accum	195.9	206.3	+4.1	—
Pacific Basin	316.0	332.7	+0.4	—
Do. Accum	353.7	372.4	+0.5	—
Fixed Interest	218.0	229.5	-0.4	—
Do. Accum	243.8	256.7	-0.4	—

National Mutual Life
5 Bow Churchyard, London EC4M 9DH 01-236 1566

Managed Fund	190.8	200.9	+4.0	—
Managed Prospect Fund	149.3	157.2	+3.0	—
UK Equity Fd	227.2	239.2	+4.5	—
Fixed Interest	154.0	162.2	+1.9	—
Pacific	182.4	192.0	+1.0	—
North American	117.1	123.3	+2.9	—
Pens. Managed	224.2	236.1	+5.3	—
Pens. UK Equity	271.7	286.0	+9.4	—
Pens. Overseas Equity	287.2	302.4	+1.4	—
Pens. Property	117.3	123.5	+0.1	—
Pens. Fixed Interest	163.1	171.7	+2.5	—
Pens. Index Linked	121.2	127.6	+1.1	—
Pens. Deposit	143.4	151.0	+0.3	—
P.R.P. UK Equity	0117.4	123.6	+4.0	—
P.R.P. Overseas Equity	101.6	107.0	+1.2	—
P.R.P. Fixed Interest	110.2	116.1	+1.7	—
P.R.P. Property	96.5	101.6	+0.1	—
P.R.P. Index Linked	108.8	114.6	+1.3	—
P.R.P. Deposit	98.4	103.6	+0.2	—
P.R.P. Managed	111.8	117.7	+2.7	—
P.R.P. With Profits	98.8	104.0	+0.2	—

National Mutual of Australasia
Serpentine Rd, Poole, Dorset 0202 680666

Fixed Interest	135.17	142.28	—	—
Guaranteed Deposit	118.04	124.25	—	—
Managed	148.12	155.91	—	—
Property	135.42	142.54	—	—
UK Equities	181.95	193.52	—	—
Pens Fixed Interest	126.92	133.59	—	—
Pens Grtd Deposit	118.75	124.99	—	—
Pens International	192.18	202.29	—	—
Pens Managed	158.26	166.58	—	—
Pens Property	150.45	158.36	—	—
Pens UK Equities	160.35	168.78	—	—
International	176.33	185.61	—	—
Nth American Fund	145.42	153.07	—	—
Far East Pacific Fd	163.27	172.28	—	—
Japan Fund	244.20	257.05	—	—
European Fund	200.66	211.22	—	—

National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

Managed	291.9	307.3	+1.9	—
UK Equity	377.2	397.1	+2.9	—
Overseas Eq.	281.5	296.4	+3.1	—
Americas	234.1	246.5	+4.4	—
Far East	330.4	347.8	+2.6	—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

Eurotax Investments Ltd
1 Athol Street, Douglas, Isle of Man
UK Agents FIS St Albans 0727 41122

FFM Futures Fund Ltd
PO Box 1540, Hamilton, Bermuda (809-295) 7447

Far East Growth Fund
10a Boulevard Royal, Luxembourg (352) 40830

Hambros Bank Ltd
41 Bishopsgate, London, EC2 01-588 2851

Hambros Pacific Fund Mgmt Ltd
2110 Connaught Centre, Hong Kong

Hambros Fd Mgrs (CI) Ltd
PO Box 86, Guernsey 0481 26521

Lazard Brothers & Co. (Jersey) Ltd.
P.O. Box 108, St Helier, Jersey, C.I. 0534 37361

Le Fonds International Canagex
2, Boulevard Royal, Luxembourg

Lloyds Bank (CI) U/T Mgrs.

North Star Group of Companies
c/o Provinsbanken International (Luxembourg) SA
25 Bvd. Royal, Luxembourg Tel 46275

Norway Fund Management A/S
Stopergt 29 0154, Oslo 1, Tel. 618100, Norway

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	1987 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
100 31/32	99 15/16	Treas. 10pc 1987	100 1/32xd	.....	9.98	8.49
99 11/16	97 7/8	Treas 3pc 1987	99 3/8	+1/32	3.02	6.74
101 3/4	100 7/8	Treas. 12pc 1987	101 3/8	.....	11.79	8.20
99 31/32	97 15/16	Treas 7¾pc 1985-88‡‡	99 13/16	+1/32	7.77	8.18
102 3/8	99 15/16	Exch 10½pc '88	102 3/16xd	.....	10.28	8.24
101 1/2	98 13/16	Treas 9¾pc Cv '88	101 3/8	+1/16	9.61	8.28
96 13/16	93 3/4	Transport 3pc '78-88	96 1/2	+1/16	3.11	6.25
101 3/16	98 1/16	Treas. 9½pc '88	101 13/32	–1/32	9.36	8.39
105 1/16	101 3/8	Treas 11½pc 1989	105	.....	10.96	8.43
101 7/8	97 11/16	Treas 9½pc Cnv 1989	101 13/16	–1/16	9.33	8.45
94 3/8	89 3/4	Treas 3pc 1989	94xd	+1/8	3.19	6.20
103 25/32	99 15/16	Treas 10½pc 1989	103 5/16	–1/16	10.13	8.53
103 1/16	98 1/2	Exch.10pc 1989	103	–1/16	9.71	8.49
105 3/4	100 5/8	Exch 11pc 1989	105 3/8	+1/16	10.45	8.49
95 3/4	89 7/16	Treas 5pc 1986-89	95 3/8	+1/16	5.24	7.08
107 1/4	100 1/4	Exch 10¼pcCv '89	106 13/32xd	–1/32	9.59	7.17
110 13/16	105 5/8	Treas 13pc 1990‡‡	110 13/16	+1/16	11.75	8.48
106 3/32	100 13/16	Exch 11pc 1990‡‡	106 1/8	.....	10.37	8.47
110 1/16	104 13/16	Exch. 12½pc 1990	109 13/16	+1/16	11.37	8.52
90 5/8	84 1/2	Treas. 3pc 1990	90 5/8xd	+1/16	3.31	6.45
99 13/16	93 13/16	Treas 8¼pc 1987-90‡‡	99 13/16	+1/16	8.29	8.43
104 5/16	97 1/2	Treas. 10pcCv 1990	104 5/16	–1/16	9.58	8.49
88 7/16	81 3/8	Exch 2½pc 1990	88 3/8xd	+1/8	2.82	6.15
109 25/32	103 3/4	Treas 11¾pc 1991	109 25/32	.....	10.71	8.61
94 1/2	87 3/4	Funding 5¾pc '87-91‡‡	94 1/2	+1/8	6.11	7.50
87 5/16	80 3/4	Treas. 3pc 1991	87 1/2xd	+1/16	3.43	6.58
109 5/16	100 3/8	Treas 10pc Cv '91‡‡	109 1/4	–1/4	9.15	7.37
108 3/4	101 1/8	Exch. 11pc 1991	108 11/16	–1/16	10.12	8.61
116 1/8	108 1/4	Treas 12¾pc 1992‡‡	115 13/16	+1/32	11.02	8.61
105 7/8	97 31/32	Treas 10pc 1992	105 1/2	+1/4	9.48	8.58

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

1987 High	1987 Low	Stock		Price £	+ or –	Yield (1)	Yield (2)
		Index-Linked	(b)				
130 3/4	125 1/2	Treas. 2pc '88	(297.1)	130 3/4	+1/4	—	1.59
114 3/4	108 3/4	Do. 2pc '90	(333.9)	114 3/4	.....	1.16	2.27
96 7/8	93 1/2	Do. 2pc '92‡‡	(385.8)	96 13/16	–1/16	2.13	2.71
128 1/4	119 1/4	Do. 2pc '96	(267.9)	125 1/2	.....	3.08	3.61
111 3/8	101 1/2	Do 2½pc '01	(308.8)	107 3/4	.....	3.36	3.75
110	100 1/4	Do 2½pc '03	(310.7)	106xd	–1/4	3.31	3.73
113 1/4	103 1/4	Do. 2pc '06	(274.1)	108 1/2	–1/4	3.24	3.65
108	98 1/4	Do. 2½pc '09	(310.7)	103 1/2xd	–1/4	3.23	3.58
113 1/4	103 1/4	Do. 2½pc '11	(294.1)	109 1/4	+1/4	3.28	3.54
95 3/4	86 7/8	Do. 2½pc '13	(351.9)	93 1/2	–1/8	3.26	3.47
103 3/4	94	Do. 2½pc '16	(322.0)	99 1/2	–1/4	3.07	3.42
101 1/2	91 1/2	Do. 2½pc '20	(327.3)	97 1/2	+1/4	3.16	3.37
86 1/4	77 1/4	Do. 2½pc '24‡‡	(385.3)	82 1/2	–1/4	3.11	3.32

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for August 1986: 385.9 and for March 1987: 100.6 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1987 High	1987 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
113	99 1/2	African Dv Bk 11¼Ln 2010	112 1/4	–1/4	9.87	9.71
108 3/4	95	Asian Dev Bk 10¼pcLn2009	108 3/4	–1/4	9.44	9.33
135 1/4	118 3/4	Australia 13½pc 2010	134 3/4	–1/4	10.01	9.69
117 1/4	102 1/4	Do. 11¾pcLn2015	117 1/4	–1/2	9.70	9.59
114 3/4	102 1/4	Euro Inv Bk 11pc Ln 2002	114 1/4	–1/4	9.59	9.18
120 1/2	97 1/2	Do. 10½pc2004	110 1/4	–1/2	9.41	9.19
125 1/2	112 3/4	Int-Am Dev Bk 12½pc 2003	125 1/2	–1/4	9.96	9.37
104	90 3/4	Do. 9¾pcLn 2015	103 1/2xd	–1/2	9.41	9.38

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

FOREIGN BONDS & RAILS—Contd

1987 High	1987 Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	42	Greek 7pc Ass.	42	.....	3.50	8.33
45	44	Do. 6pc 28 Stb. Ass.	44	.....	3	6.82
47	45	Do 4pc Mixed Ass.	47	.....	2	4.26
65	58	Hung. '24 Ass.	64	.....	2.75	5.86
145 3/4	122	Hydro Quebec 15pc 2011	145 1/4	–1/2	15.00	10.00
92	88	Iceland 6¼pc '83-88	88	.....	—	—
135 1/4	115	Do. 14½pc Ln. 2016	135 1/4	+1/8	14.50	10.57
102 3/4	94	Ireland 9¾pc '91-96	102 1/2	–1/4	9.75	9.25
98 1/2	93	Japan 6pc '83-88	94	.....	—	—

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
30¼	24⅝	Sara Lee $1	25⅞xd	+⅛	$1.00	—	6.4
11¼	10	Saul (B. F.) $1	10⅛	+⅛	20c	—	1.2
79	62⅝	Southwestern Bell $1	65⅞	+1	$6.96	—	6.5
17⅝	15¼	Staley Continental	15½	+¼	80c	—	3.2
44⅞	36⅛	Sun Co. Inc. $1	37xd	+⅛	$3.00	—	5.0
74	59¼	TRW Inc. $1¼	61¼xd	+2	$3.20	—	3.2
31	26¾	Tenneco $5	27⅞	+⅛	$3.04	—	6.8
187½	152½	Do. 10pc Ln Stk. 91-5	177½xd	...	10%	—	5.7
26¼	17⅞	Texaco $6.25	20⅞xd	+⅛	$3.00	—	9.1
57¼	47⅞	Time Inc. $1	53⅞	+1⅞	$1.00	—	1.1
14½	12	Tracor $0.33	12⅛		40c	—	2.0
24⅝	19¼	Transamerica $1	29⅞xd	+⅛	$1.76	—	5.4
11	967p	Transworld Corp $5	996p	+3	20c	—	1.2
42¼	29¾	TRINOVA Corp.	39½	+⅝	h$1.00	—	1.6
18¼	15⅛	USX $1	17½	+¼	$1.20	—	4.2
18½	15⅞	Union Carbide $1	18⅛xd	+¼	$1.50	—	5.1
35⅞	26⅞	Utd. Technologies	28⅞	+½	$1.40	—	3.0
38⅝	29½	US West	30½	+⅛	$3.28	—	6.6
33⅞	28⅛	Woolworth $3½	28⅞	−⅛	$1.32	—	2.8

CANADIANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
25p	16p	Abbot Energy Corp.	16p	....	—	—	—
21	10½	Amer. Barrick Res.	19	+¼	—	—	—
83p	36p	Armeno	75½p	+½	—	—	—
19⅝	15⅛	Bk. Montreal	15⅝	+¼	$2.00	—	5.6
10½	792p	Bk. Nova Scot.	806p	+14	72c	—	3.9
20⅝	18¼	BCE	18¼	...	$2.40	—	5.7
960p	713p	Bow Valley	795p	+20	10c	—	0.5
19¼	12¼	Brascan	15½	+⅛	88c	—	2.5
609p	279p	Breakwater Res.	472p	−23	—	—	—
11⅝	935p	Can Imp. Bk. $2	956pxd	+21	$1.08	—	4.9
12	929p	Can. Pacific	11⅛	+⅛	48c	—	1.9
42½	37½	Do. 4pc Deb £100	42½	...	4%	—	9.4
27½	16⅛	Echo Bay Mines	25	−¼	20c	—	0.3
148p	66p	Euro-Asia Capital Ltd.	131p	+3	—	—	—
69p	32p	Global Data Systems	40p	+½	—	—	—
873p	408p	Granges Explns	750p	+2	—	—	—
17½p	10p	Gt Pacific Res.	16p	...	—	—	—
14⅛	781p	Gulf Canada	12⅞	...	52c	—	1.8
13¼	10	Hawker Sid Can	12⅛	...	96c	—	3.4
740p	556p	Henlys Group	567p	−5	—	—	—
14⅛	11⅛	Hudson's Bay	11¼	+⅛	60c	—	2.3
34½	25¼	Imperial Oil	28¼	+⅛	$1.60	—	2.4
10⅝	824p	Inco	10½xd	+13	US$0.20	—	1.2
25⅛	14⅛	Intl. Corona Res.	22		—	—	—
676p	575p	Inland Nat. Gas $1	611p	−5	60c	—	4.2
363p	171p	Muscocho Expln.	289p	+9	—	—	—
10	749p	Nml Business Syst.	861p	+31	—	—	—
12	990p	Rio Algom	10	+⅛	$1.30	—	5.6
19⅛	15	Royal Bk. Can.	15⅛	+⅛	$2.00	—	5.7
49½	41⅝	Seagram	43⅛	+1⅛	US$1.08	—	1.4
14⅞	11⅞	Toronto-Dom. Bk.	12½	+¼	84c	—	2.9
10⅛	825p	Trans Can. Pipe	839p	+14	$1.12	—	5.8
184p	124p	Varity Corp	129p	+4	8	—	—

BANKS, HP & LEASING

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
281	219	ANZ $A1	249	+4	Q31c	2.4	5.3	8.0
*£168	£146	Algemene Fl.100	£146xd	−1½	Q27%	ϕ	5.7	ϕ
*273	230	Allied Irish	260	−1	9.064.0%	3.6	5.6	6.1
70	56	Anglo Irish	63		Q19.69%	1.4	7.0	15.0
92	84	Ansbacher (H.) 1p	85	+1	2.0	—	3.2	—
£40½	£33½	Banco de Bilbao S.A.	£34½	...	Q38%	3.0	2.7	12.2
£29½	£23½	Banco de Santander	£26xd	−½	Q25.2%	ϕ	1.7	ϕ

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
475	180	Abelson Group 10p	395		3.2	—	1.1	—
35	28	Aberdeen Am Pet 10p	30	...	—	—	—	—
125	110	Allied Ins. Brokers	123	....	L3.5	2.5	4.0	14.3
62	45	Catalyst Comm. 5p	58	−2	—	—	—	—
66	47	Corton Beach 10p	55	−3	—	—	—	27.3
195	102	Edenspring Investment	190			—	—	—
63	31	Eglinton Oil Ir.5p	35½	−3½	—	—	—	—
41	17	Do. Warrants	25	−1	—	—	—	—
34	17	Publishing Hldgs.5p	34	..	—	—	—	19.7
58	45½	Theme Holdings	48xd	−2	1.0	♦	2.9	♦
138	111	Unit Group	113	.....	R4.6	2.5	5.6	(8.1)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◊ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ☐ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ∥ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

TRADITIONAL OPTIONS

3-month call rates

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Apr 6	Apr 23	Apr 24	May 5
Apr 27	May 7	May 8	May 18
May 11	May 28	May 29	Jun 8

* New time dealings may take place from 9.00 am two business days earlier.

Equities at new peaks with interest rate optimism undimmed by hint from Bank

London's equity market burst through to new peaks yesterday as favourable factors on the domestic front were buttressed by a surge on Wall Street and a steadier trend in the US dollar, which brought foreign buyers back into the UK securities trading arena.

The FT-SE 100 index jumped to a new high within the first hour of trading as domestic investors took a bullish stance ahead of today's (Thursday) local elections in the UK. Government bonds turned cautious, however, as profit-taking was stimulated at midday when the Bank of England signalled that it was not willing to see bank base rates fall again just yet. Confidence in lower UK rates was undimmed, however, with the City convinced that the rate cut will come early next week—perhaps coinciding with the announcement of an election date.

At the close, the FT-SE 100 index showed a gain of 21.4 at 2,086.5, well clear of the previous peak of 2,068.5 reached last Friday. The FT ordinary finally burst through the March 1 peak, closing 13.6 up at 1,640.5.

Equities ended below the best as Wall Street opened uncertainly, but the mood remained very optimistic. Consumer issues responded vigorously both to the expectations of lower credit rates and to excellent trading results from **Marks and Spencer.**

Among the international issues, oil shares started strongly, with UK buyers moving ahead of the US market, inspired by the overnight strength of Wall Street.

Special situation stocks played a significant role in the advance in the equity market. **Imperial Chemical Industries**, responding to recent recommendations by London brokers, advanced smartly. **Fisons** received further boost from a Salomon Brothers seminar for Scottish investment funds, while **Beecham** strengthened ahead of an investment seminar in New York today hosted by Goldman Sachs.

Other strong features included **GEC**, the most active stock in the market on bid rumours—Hanson Trust was mentioned but not taken too seriously by the City.

Unilever also attracted substantial interest ahead of the annual general meeting, which the market hopes will bring news of a share split.

Government bonds opened a touch easier and remained so throughout, closing with falls of ⅜ at the long end. There were profits to be taken after the surge of the two previous sessions, and the market was in no way surprised by yesterday's slower trend. Following the Bank's signal to the money markets against early cuts in base rates, the City decided that there would be no new developments on this front until after the UK local elections are out of the way. But it remained clear that a cut in base rates must come soon.

When-issued dealings in the new tap stock, to be auctioned on May 13, left the price ⅝ easier at 48¼.

Oil and gas shares raced ahead with **British Gas** penetrating the psychologically important 100p level at one point following heavy overseas support; turnover in Gas exceeded 37m shares. Oils, spearheaded by BP, responded to Wall Street's overnight surge, renewed strength in crude oil prices and reports of Iraqi air attacks on Iranian oil fields. Over 19m BP shares changed hands.

United Biscuits (UB) was one of the most active features with some 12m shares changing hands, three times more than on the previous day. UB, a perennial takeover favourite, touched 318p at one stage prior to closing 12 higher at 310p.

Demand was fuelled by a newspaper suggestion that Cadbury Schweppes is poised to reveal a 5 per cent stake in the company, but market makers were sceptical of a bid move by Cadbury for UB as this might attract the attention of the Monopolies Commission. Dealers were more inclined towards the theory that any stake build-up could involve an Australian or New Zealand purchaser. Interest in both UB and Cadbury was heightened by the prospect of today's AGM at UB and the annual meeting yesterday at Cadbury.

William Cook, the Sheffield-based steel castings manufacturer, remained a nervous market and fell 7 more to 148p. This makes a loss of 57p over the past two days. Two factors have worried investors, the main one being fears about the problems at Caterpillar, one of the company's major customers.

Also, Barclays de Zoete Wedd, a major London market maker, has recently warned clients that benefits from Cook's recent acquisitions, Weir Foundries and Holbrook Precision Castings, may take longer to come through than originally anticipated.

Interest rate optimism and the Tories recent promise that the basic rate of income tax would be cut to 25p in the event of an early election victory continued to fuel a strong demand for leading retailers. Sentiment was given a further boost yesterday by a set of excellent annual figures from the sector's leader, **Marks and Spencer.**

Pre-tax profits of well over £432m against £365.8m easily exceeded market expectations of around £415m and M & S quickly responded with a jump to 250p before closing an active session 12 dearer on balance at 246p, following a turnover of 13m shares.

Trade in Stores was also considerably enlivened by a further twist in the **Combined English** bid saga. As widely-rumoured on Tuesday, **Next** emerged as a rival suitor for Combined, announcing a share-exchange offer topping that already on the table from jewellery concern, **Ratners**. The bid from Next, recommended by CE's board prompted a fresh leap of 17 in the latter's shares to 393p, while Next fell 15 to 328p. Ratners, meanwhile, cheapened 8 to 355p as chairman Gerald Ratner stated that the board and his advisors would consider the position on whether to bid again or walk away.

Royal Bank of Scotland's interim profits were deemed slightly disappointing, the increase in first-half profits from £92.7m to £114.1m being swollen by a £16m property sale, and sporadic bouts of profit-taking left the shares 8 down on balance at 328p, after 325p. **Standard Chartered**, meanwhile, fell 15 at 818p on profit-taking in the absence of any bid developments; last week, Mr Tan Sri Khoo Teck Puat increased his stake in Standard to 7.24 per cent, while Mr Robert Holmes à Court's Bell Group currently sits on a 14.9 per cent shareholding, the maximum permitted under current Bank of England guidelines. Elsewhere in the bank sector, **First National Finance Corporation** reflected vague talk of a possible bid from the TSB and closed a further 6 higher at 280p.

Comment on the good final quarter figures helped Lloyd's broker **Minet** advance 10 more for a two-day gain of 25 at 297p, after 300p. **Equity and Law**, in which Mr Ron Brierley's IEP Securities holds a 26 per cent stake, gained 6 to 375p. **Sun Life** closed 1/16 better at £11⅞ and **Pearl** 8 better at 373p following their categorical denials on Tuesday of weekend Press suggestions that the two life companies were contemplating a friendly merger.

Breweries continued to reflect hopes of increased consumer spending and the prospect of lower interest rates in coming weeks. **Allied Lyons**, due to report preliminary results on May 19, edged up 75 to 422p, as did **Bass**, 951p.

Business in Buildings remained at a relatively low level and the leaders showed little alteration. However, selective support was forthcoming for secondary issues with **Attwoods** reviving strongly on takeover hopes to close 17 higher at 306p. **Persimmon** rose 11 to 452p in a restricted market.

ICI rose ⅛ to £13⅝ helped by publicity given to recommendations from two leading brokers. **Laporte** firmed 5 to 482p ahead of next week's meeting with analysts, while **Coalite** continued to attract buyers ahead of the results due at the end of the month and gained 7 more to 366p.

Store majors were stimulated by Marks and Spencer's trading performance. **Harris Queensway**, which report annual results today with brokers' forecasting pre-tax profits of around the £45m level, excluding property transactions, closed 3 higher at 216p. **Storehouse** jumped 13 to 307p and **Woolworth** gained 11 at 838p. Elsewhere, Marks and Spencer supplier **S. R. Gent** closed 7 to the good at 78p, while speculative buying lifted **W.H.Smith "A"** 7 to 353p and **Ward White** 9 to 370p.

GEC were outstanding in Electricals, rising 13 to 211p in hectic trading—34m shares changed hands—as vague rumours of a possible bid from Hanson Trust circulated; investors also chased the shares higher ahead of publication of the Defence White Paper. Elsewhere, **BICC** reflected expansion hopes with a fresh rise of 9 to 350p and **Cable and Wireless** closed 10 to the good at 363p.

The Engineering leaders were neglected, but selective interest was shown in secondary issues. Investment buying revived in **Glynwed** which put on 19 to 455p, while **APV Baker** were also supported at 846p, up 11. In contrast, **Cronite** fell 6 to 96p on the poor interim results and **Davies and Metcalfe** gave up a similar amount to 58p on the bigger annual loss. Comment on the preliminary statement left **Hopkinson** down 5 further at 433p.

Although dominated by the activity in United Biscuits, the Food sector provided other bright features. **Unigate** were in demand at 390p, up 10, while **Hillsdown** gained 5 more at 275p. **Northern Foods** edged up 4 to 298p. Elsewhere, **Nurdin and Peacock** dipped 15 to 211p following reports of a badly-handled selling order in the wake of the good preliminary figures, proposed 100 per cent scrip issue and optimistic statement.

A nervous and dull market on Tuesday amid adverse market rumours, **Ladbroke** regained a modicum of composure and rallied to 413p but fell back again late to close 11 down at 391p.

Trafalgar House featured the miscellaneous industrial leaders closing 21 higher at 389p following interim figures much in line with expectations and the chairman's statement on prospects which encouraged recovery hopes. Pharmaceutical issues trended firmer, **Fisons** rising 15 to 885p as some 1.8m shares changed hands. **Beecham** firmed 3 to 541p. Elsewhere, **Morgan Crucible**, following the statement on First Castle, put on 12 to 335p, while **Redfearn Glass** advanced 28 to 583p in response to the bumper interim figures. **F. H. Tomkins**, the subject of a recent Flemings Research circular, attracted buyers and put on 7 to 285p. Further consideration of the preliminary figures, however, left **Silentnight** 6 cheaper at 98p, but **Diploma**, scheduled to reveal interim results next Monday, gained 10 to 269p. Speculative activity left **J. Billam** 22 higher at 175p. **Pentland** hardened a few pence to 688p on details of the public offering of 6m shares of common stock in Reebok International.

Television issues attracted selective buying interest, **LWT** rising 21 to 829p and **Yorkshire** 9 to 324p.

Capital Radio settled 7 cheaper at 173p, the good interim results discounted.

Good interim figures prompted a rise of 12 to 670p in **St Ives Group**, while **Wace Group**, also reflecting trading news hardened 5 to 133p. **Norton Opax** gained 8 to 150p in belated response to the expected sale of its UK publishing interests.

Among Properties, **Stockley** gained 8½ to 132½p following details of the recommended share-exchange offer with cash and loan note alternative from **Mountleigh**; the latter settled 10 lower at 282p.

Among Financials, **Close Brothers** hardened 2 more to 180p on the proposal to invest up to some £2m in a newly formed finance company to be called Close Asset Finance. **MAI** were also noteworthy for a rise of 16 at 514p.

BP jumped 10 to 331p amid persistent overseas buying interest ahead of the first quarter results scheduled for next Thursday. **Shell**, also due to report first quarter figures soon, rose ½ to £12⅛.

Burmah gained 8 to 483p in the wake of the annual report and chairman's statement and the US acquisition. **Cluff Oil** were 7 up at 105p following a recent trip to the company's Zimbabwean gold mining operations by fund managers. Elsewhere, Press comment lifted **Tricentrol** 4 to 84½p.

Mining markets were much quieter than of late. A firmer showing by the dollar following the start of the US bond auction saw precious metal prices turn easier. Bullion fell away initially but rallied to close a net $1.25 up at $458.75 an ounce, while Platinum drifted easier and silver lost ground.

South African gold and related issues drifted easier on general lack of interest as the South African general election got underway. Results from the election should be known around midday today and dealers said that any gains by independent candidates should be good for South African share markets. The financial Rand made modest progress, closing around the 32½ cents level.

The Gold Mines index fell 7.1 to 445.9.

Traded Options

The resurgence of demand for London equities was fully reflected in traded options. Total contracts completed amounted to 51,780, made up of 37,718 calls and 14,062 puts. BP featured, recording 9,810 calls, while 4,340 calls were also done in British Airways.

Traditional Options

- First dealings May 5
- Last dealings May 15
- Last declaration August 6
- For Settlement August 17

For rate indications see end of Unit Trust Service

Stocks dealt in for the Call included Sears, Rowntree, Dares Estates, ERA Group, NY Holdings, Bula Resources, Ryan International, Property Trust, Richardson Westgarth, Oceonics, Peek Holdings, Phoenix Timber, Regentcrest, Blacks Leisure, Mountleigh, Acorn Securities, CASE, Lister, Conder, Belted Bar, Tramwood, Control Securities, Campari, Tricentrol, Waterford Glass, British Telecom and J. Wilkes. Puts were arranged in Parkfield and Amstrad, but no double options were reported.

FINANCIAL TIMES STOCK INDICES

	May 6	May 5	May 1	Apr. 30	Apr. 29	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	92.66	92.51	91.96	91.69	91.85	92.32	92.66 (6/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.66	97.48	97.37	96.86	96.35	96.82	97.98 (29/3)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,640.5	1,626.9	1,626.9	1,612.0	1,608.6	1,345.7	1,640.5 (6/5)	1,320.2 (2/1)	1,640.5 (6/5/87)	49.4 (26/6/40)
Gold Mines	445.9	453.0	444.4	447.3	439.2	254.5	485.0 (14/4)	288.2 (7/1)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.51	3.53	3.53	3.62	3.63	4.01				
Earnings Yld.%(full)	8.33	8.38	8.38	8.33	8.31	10.03				
P/E Ratio (net)(*)	14.77	14.69	14.70	14.82	14.89	12.19				
SEAQ Bargains (5 pm)	37,517	42,087	41,456	39,226	38,629	—				
Equity Turnover (£m)	—	1,091.32	1,393.38	1,443.35	1,171.12	712.90				
Equity Bargains	—	50,341	49,378	45,099	44,943	25,203				
Shares Traded (ml)	—	585.3	592.4	620.1	471.7	365.8				

S.E. ACTIVITY

Indices	May 5	May 1
Gilt Edged Bargains	210.8	163.6
Equity Bargains	325.2	319.9
Equity Value	2,205.8	2,811.4
5-Day Average		
Gilt Edged Bargains	175.4	160.7
Equity Bargains	305.4	305.3
Equity Value	2,834.5	2,938.3

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1635.5	1634.2	1640.3	1644.6	1645.6	1648.0	1645.9	1644.1

Day's High 1648.1. Day's Low 1633.9 Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil=14.31.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (222)

BRITISH FUNDS (22), CORPORATION LOANS (1), FOREIGN BONDS (1), AMERICANS (3), BANKS (6), BREWERS (5), BUILDINGS (7), CHEMICALS (5), STORES (12), ELECTRICALS (11), ENGINEERING (7), FOODS (5), INDUSTRIALS (38), INSURANCE (5), LEISURE (3), MOTORS (1), NEWSPAPERS (2), PAPER (8), PROPERTY (17), SHIPPING (1), SHOES (3), SOUTH AFRICANS (2), TEXTILES (2), TRUSTS (39), OILS (5), OVERSEAS TRADERS (3), PLANTATIONS (1), MINES (7).

NEW LOWS (10)

BANKS (1) Algemene Bank, CHEMICALS (1) Snia BPD, STORES (1) Blk Bok Groppen, INDUSTRIALS (3) Hewitt (J.), INSURANCE (3) Alexander & Alexander, Aon Corp., NZI Corp., PAPER (1) Space Planning Servs, OILS (1) Ranger, OVERSEAS TRADERS (1) Rea Hldgs.

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Wednesday May 6 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Tues May 5 Index No.	Fri May 1 Index No.	Thurs Apr 30 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (209)	882.15	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2	Building Materials (27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3	Contracting, Construction (32)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	Electricals (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	Electronics (36)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6	Mechanical Engineering (59)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8	Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9	Motors (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10	Other Industrial Materials (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21	CONSUMER GROUP (187)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22	Brewers and Distillers (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25	Food Manufacturing (26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26	Food Retailing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27	Health and Household Products (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29	Leisure (32)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31	Packaging & Paper (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32	Publishing & Printing (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34	Stores (36)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35	Textiles (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40	OTHER GROUPS (87)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41	Agencies (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42	Chemicals (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43	Conglomerates (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45	Shipping and Transport (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47	Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48	Miscellaneous (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49	INDUSTRIAL GROUP (483)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51	Oil & Gas (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59	500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61	FINANCIAL GROUP (118)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62	Banks (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	Insurance (Life) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66	Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67	Insurance (Brokers) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68	Merchant Banks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69	Property (47)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70	Other Financial (27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71	Investment Trusts (94)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81	Mining Finance (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91	Overseas Traders (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99	ALL-SHARE INDEX (725)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Index No.	Day's Change	Day's High	Day's Low	May 5	May 1	April 30	April 29	April 28	Year ago
FT-SE 100 SHARE INDEX ♦	2086.5	+21.4	2096.6	2075.5	2065.1	2068.5	2050.5	2038.6	2022.1	1610.1

FIXED INTEREST

PRICE INDICES	Wed May 6	Day's change %	Tues May 5	xd adj. today	xd adj. 1987 to date
British Government					
1 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 5-15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Over 15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Irredeemables	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Index-Linked					
6 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 Over 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Debentures & Loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Preference	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS: [illegible]

♦ Opening index 2076.3; 10 am 2075.8; 11 am 2083.2; Noon 2091.0; 1 pm 2092.6; 2 pm 2096.4; 3 pm 2093.6; 3.30 pm 2092.4; 4 pm 2089.0

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		CALLS July	Oct.	Jan.	PUTS July	Oct.	Jan.
Allied Lyons (*423)	330	97	105	—	1	3	—
	360	67	78	88	3	7	13
	390	42	55	60	7	14	18
	420	23	32	40	18	23	30
Brit. Airways (*158)	130	29	31	—	2½	5	—
	140	20	24	32	5	9	11
	160	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS May			PUTS		
Guinness (*325)	260	70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	280	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	300	32	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	330	10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ladbroke (*406)	373	38	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	403	17	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	443	3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

May 6. Total Contracts 51,780. Calls 37,718. Puts 14,062. FT-SE Index Calls 1,333 Puts 1,018. *Underlying security price.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	74	29	10
Corporations, Dominion and Foreign Bonds	19	18	43
Industrials	612	331	602
Financial and Properties	258	84	239
Oils	36	16	60
Plantations	2	5	7
Mines	40	73	71
Others	131	32	68
Totals	1,169	588	1,100

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −	Net Div.	Times Covered	Gross Yield	P.E. Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

WORLD STOCK MARKETS

AUSTRIA | GERMANY | SPAIN | AUSTRALIA (Continued) | JAPAN (Continued)

BELGIUM/LUXEMBOURG | SWEDEN | HONG KONG

DENMARK | SWITZERLAND

FINLAND | ITALY | JAPAN | SINGAPORE

FRANCE | NETHERLANDS | AUSTRALIA | SOUTH AFRICA

NORWAY

CANADA

TORONTO
Closing prices May 6

MONTREAL
Closing prices May 6

Indices

NEW YORK–DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

RISES AND FALLS

TORONTO

MONTREAL Portfolio

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 37

LONDON – Most Active Stocks

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
British Gas	37.80m	98½	+ ½	United Biscuits	11.90m	310	+12
Gen Elect	34.00m	211	+13	Trafalgar House	7.55m	369	+21
BP	19.80m	331	+10	ASDA-MFI	7.10m	164	+ 1
Hanson Trust	19.00m	168½	+1½	Brit Airways	6.80m	157	+ 1
Marks & Spencer	13.00m	246	+12	Ladbroke	6.80m	391	−11

TOKYO – Most Active Stocks

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Nippon Steel	146.08m	382	+17	Kawasaki Heavy Ind	19.77m	322	−13
Ishikawajima-Harima	28.52m	720	−18	Nippon Mining	19.16m	595	−10
Nippon Kokan	24.72m	341	+ 3	Toshiba	17.09m	758	−22
Mitsui Toatsu Chem.	21.54m	776	+ 3	Kao	15.41m	2,070	+170
Tokyo Gas	21.41m	1,510	+70	Kirin Brewery	11.41m	3,080	−30

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:		
Attwoods	306	+17
BICC	350	+ 9
BP	£333	+10
Britoil	244	+ 6
Comb Eng St	393	+17
Fisons	644	+14
GEC	211	+13
Glynwed Intl	455	+ 9
LASMO	254	+11½
Marks & Spenc.	246	+12
Minet Hldgs	297	+10
M Crucible	385	+12
R Nat Glass	583	+28
Stockley	132½	+8½
Storehouse	307	+13
Traf House	369	+21
Tricentrol	84½	+ 4
Unigate	390	+10
United Biscuits	310	+12

FALLS:		
Ladbroke	391	−11
Lec Refrig	310	−28
Next	328	−15
N & Peacock	211	−15
Royal Bank Sc	328	− 8
St Chartered	818	−15

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33¾	20⅛	AAR s	.50	1.7	21	x360	29¾	28¾	29⅝	+¾
37	21⅞	ADT	.92	3.0	18	1209	31½	31	31⅛	−⅛
41½	23⅝	AFG	.12e	.3	11	519	38⅞	38	38¾	+¼
42	18¾	AGS			22	3615	u43¾	41¼	43¾	+2¼
13¾	6¾	AMCA				11	7¾	7⅝	7¾	+¼
9⅝	4⅞	AM hdf				1459	6½	6⅜	6½	
62⅛	47¼	AMR			12	5667	56⅛	55	55¾	−⅞
12⅝	8	ARX s			11	59	10¼	9⅞	10	−¼
73½	28¾	ASA	2a	3.1		983	65⅜	63¾	65	−½
20	9¾	AVX		1.7	96	441	19¾	19⅛	19¼	+⅞
67	41	AbtLb s	1	1.6	26	4331	61⅞	60¼	61⅞	+½
34¾	25	AccoWd .62		2.1	19	188	30	30	30	
15⅛	9	AcmeC .40		3.0	9	258	13¼	13	13¼	
8⅜	6⅛	AcmeE .32b		4.1	30	41	8	7¾	7¾	−⅛
23⅞	19	AdaEx 3.42e		16.		83	21¼	21	21¼	+⅛
19½	11⅜	AdmM s .24		1.4	13	27	17½	17¼	17⅜	+⅛
21½	12⅛	AdvSys .62i		3.3	14	141	18¾	18⅝	18⅝	+⅛
28⅞	12⅞	AMD				11284	22¾	22	22⅛	−⅞
54¾	49⅝	AMD pf	3	5.6		208	54	53½	53⅝	−¼
10¾	5¼	Adobe				2013	10	9¼	10	+⅞
20½	13¾	Adob pf 1.84		9.6		10	19½	19¼	19¼	−¼
21⅞	16⅜	Adob pf 2.40		12.		10	20⅝	20⅝	20⅝	−¼
18⅝	11½	Advest .12a		.8	11	1348	15	14¾	15	+¼
68¼	53	AetnLf 2.76		4.8	9	4127	58⅞	57¼	57½	−½
53⅝	51⅛	AetL pf2.81e		5.4		24	52⅝	52⅝	52⅝	
50¾	21⅞	AflPb s .32		.6	26	267	50¼	50	50	+⅜
28¾	18⅞	Ahmans .88		3.9	7	x4025	23	22⅝	22⅝	−⅜
5¾	2⅞	Aileen				87	4⅝	4⅜	4⅜	−¼
48½	29⅛	AirPrd .80		1.8	24	1957	44	43½	43¾	−¼
35¼	16	AirbFrt .60		1.8	13	307	33½	32⅛	33½	+½
[illegible]										

Continued on Page 37

NYSE COMPOSITE CLOSING PRICES

Continued from Page 36

12 Month High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		X Y Z								
80¾	48⅝	Xerox	3	3.8	19	6443	80¾	78¼	78⅝	−¾
58¼	55	Xerox pf5.45		9.8		73	55¾	55¼	55½	−¼
28¾	21½	XTRA	.64	2.6		13	25	24⅝	24⅝	−½
24½	13½	Yorkin			15	319	24	23	23⅝	+¾
6	2¼	Zapata				3026	5	4¾	5	+¼
43⅞	20¾	Zayre s	.40	1.7	15	2745	24½	23⅜	23½	−⅝
14¾	9¾	Zemex	.40	3.0	6	19	13⅛	13	13⅛	+⅛
28⅜	18⅞	ZenithE				1655	26½	26¼	26⅜	
17½	8	ZenLb s				1242	10	9⅞	10	+⅛
20½	12⅜	Zero	.36	2.0	19	67	18⅜	18⅛	18¼	
51¾	32¾	Zurnin	1.32	2.7	19	64	48¾	48	48¼	
10⅝	8¼	Zweig n.10e		1.1		1042	9⅜	9⅛	9¼	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 35

FINANCIAL TIMES
WORLD STOCK MARKETS

Momentum lost in vain search for direction

WALL STREET

WITH buying interest switching rapidly between sectors, Wall Street stocks traded heavily yesterday but gained little in price terms, *writes Roderick Oram in New York.*

The lack of a trend was attributed to uncertainties in the credit markets over the degree of foreign participation in the Treasury auction. Bond prices, which were also unsettled by the fragility of the dollar, fell about 1 point.

Of the broad market indices, the Standard & Poor's 500 closed up 0.12 at 295.46, and the New York and American stock exchange composite indices added 0.13 to 166.47 and 2.76 to 331.05, respectively. NYSE volume was heavy at 196.6m shares with declining issues just outnumbering those rising.

In contrast, the Dow Jones transportation index rose 18.79 points to 964.64, beating the previous record set on April 6, thanks to speculation about takeovers in several airline and rail stocks.

Allegis gained $2¾ to $70 on reports that the Pritzker family of Chicago had doubled its stake in the group to more than 4 per cent and may join airline pilots in their bid for Allegis' United Airlines subsidiary. The family declined to comment.

Santa Fe Southern Pacific gained $5⅜ to $48⅝ amid numerous takeover rumours. Among other railroads, Burlington Northern rose $3 to $72¾, and Union Pacific rose $4⅝ to $79⅝.

Recently strong sectors such as computers, semiconductor and drug stocks suffered from profit-taking while some oil, metals and capital goods stocks attracted buyers.

Among the blue chips American Express dropped $1¼ to $87⅞, AT&T was unchanged at $25, Boeing edged up $⅛ to $44⅞, Eastman Kodak added $⅝ to $83⅝, Du Pont rose $1 to $115⅜, International Paper fell $2⅝ to $96⅝ and Primerica, formerly American Can, dropped $1⅛ to $40⅞.

Many oil issues gained ground as crude oil futures continued their two-week rise which has taken them over $19 a barrel. Chevron added $1⅛ to $59, Amoco rose $⅞ to $87⅞, Standard Oil edged up $⅛ to $73⅝ and Atlantic Richfield rose $2½ to $91⅝ although Exxon slipped $⅛ to $88⅝.

Of the computer stocks, Digital Equipment fell $2⅝ to $171⅞, Unisys dropped $3⅞ to $121⅞, Cray Research gave up $3⅝ to $116⅞, Hewlett-Packard lost $1⅞ to $60⅛ and IBM slipped $⅛ to $166⅞.

Semiconductor stocks, also recent leaders, followed a similar trend. In addition, Merrill Lynch reportedly lowered its recommendations on them. Intel gave up $1 to $46⅝, Texas Instruments fell $7⅜ to $189⅞, Advanced Micro Devices fell $⅞ to $22⅝ and National Semiconductor lost $⅝ to $15⅝.

Burlington Industries jumped $4⅝ to $63⅜ on heavy volume of more than 3m shares. A hostile tender offer of $67 a share was started by an investment group led by Mr Asher Edelman, a New York corporate raider, and Dominion Textile of Canada. Its earlier takeover offer was $60 a share.

Spectradyne rose a further $2⅝ to $40⅝. An investment group led by Mr Marvin Davis raised its stake in the group to 7.3 per cent from 5.7 per cent and intend to seek control. Mr Davis, former owner of Twentieth Century Fox and rebuffed in a takeover attempt of the CBS television network last year, is trying to acquire another corporate base in the entertainment industry. Spectradyne supplies cable television and film service to hotels.

Among companies reporting higher quarterly earnings yesterday, American Standard edged up $⅜ to $42⅜, and Beneficial fell $⅝ to $50⅝ while Loral, a defence electronics group, fell $1⅛ to $42⅝.

USX, up $2⅛ to $31⅛ on more than 6m shares, and Ames Department Stores, up $2⅛ to $23⅝, both benefited from analysts' recommendations.

Credit markets traded in tentative fashion ahead of the auction of $9.75bn of 10-years notes. Prices of existing securities drifted lower leaving the 7.50 per cent benchmark Treasury long bond down 1 point at 87 11/32 yielding 8.72 per cent.

The key unknown hanging over the markets was the extent foreign investors, most notably the Japanese, would participate in yesterday's auction and today's of 30-year bonds.

CANADA

ACTIVE trading in Toronto produced only a modest advance, with investors echoing Wall Street worries about the US Treasury refunding.

Mines and metals helped push the market up. Falconbridge, a main active, rose C$⅛ to C$21⅛; Alcan moved up C$⅜ to C$40⅜; and Inco crept up C$⅛ to C$23⅝.

Oil shares were prominent among resource stocks gains. Imperial Oil class A advanced C$2⅞ to C$67⅞; Shell Canada was up C$1⅛ to C$53; and Texaco Canada improved C$⅜ to C$32⅝.

Bank shares mostly fell back. Bank of Montreal was down C$⅜ to C$33⅜; Canadian Bank of Commerce dipped C$⅛ to C$33⅞; Canadian Bank of Commerce dipped C$⅛ to C$21; and Toronto Dominion Bank was C$⅛ weaker at C$27⅞.

Montreal edged ahead.

Karen Fossli reports on a proposal that frightened investors

Share tax plan rocks Oslo prices

THE OSLO bourse registered its steepest one-day fall for at least four years yesterday as investors took fright at a leaked proposal in Norway's revised budget for a 2 per cent tax on all share trading.

The bourse index dropped 13.17 points, or 4.2 per cent, to 299.98, the largest decline since the index was introduced in January 1983.

The budget proposal calls for the 2 per cent tax per transaction to be implemented in August if it is approved by the Norwegian parliament, the Storting. The budget is due to be published on May 15.

A spokesman for the Oslo Stock Exchange said there were fears the proposed tax would minimise profits on trading, drain the bourse's liquidity and drive foreign investors away, most probably to London.

The Oslo exchange reached record heights at the end of April, hitting a peak of 325.48, when oil prices rose and foreign buying interest climbed in tandem. The exchange spokesman did not rule out a repeat should speculation grow that the tax plan would not be approved.

The Government intends to raise NKr 400m ($61m) in annual revenue from the tax on a bourse turnover figure of some NKr 20bn. Sweden has a similar tax.

In nervous trading yesterday, computer group Norsk Data A shares lost NKr 5.50 to NKr 205. Insurer Storebrand fell NKr 10 to NKr 332.50, Nora Industrier, the foods and consumer products group, NKr 10 to NKr 243.50 and engineer Kvaerner NKr 12 to NKr 184.

EUROPE

Day of highs and lows

IT WAS a day of extremes on European exchanges. The Stockholm bourse closed at an all-time high, but Madrid's index slipped below its end-1986 level for the first time this year and Oslo plunged in reaction to the news that the minority Labour Government proposes a 2 per cent share turnover tax.

Elsewhere in Europe, prices were mostly firmer with trading light to moderate.

Stockholm, fuelled by Tuesday's higher Wall Street close and strong institutional buying interest, moved sharply up in very heavy trading. Volvo led the actives, climbing SKr 11 to SKr 347, and the Veckans Affarer all-share index surged to a record 1,032 points from 1,019.5.

Electrolux advanced SKr 3 to SKr 331; SKF was also SKr 3 stronger at SKr 365; and Asea moved up SKr 5 to SKr 325. Among drug stocks Pharmacia edged up SKr 3 to SKr 205; but Astra fell SKr 5 to SKr 665.

Madrid reacted sharply again to higher interest rates, and there were steep falls across the board. Among banks which declined were Popular, down 75 points to 1,455 per cent of nominal market value, Vizcaya, 50 lower at 1,770, and Bilbao, 39 weaker at 1,329.

Electricals, metals and property sector stocks all fell, but the exception was telecommunications, which rose largely because of a bullish showing by Telefonica, up 1.80 at 154.

Frankfurt ended a moderate day's trading up on Tuesday's close but down on the day's highs. Interest was boosted by a 1 pfg rise in the dollar, but there was some profit-taking after news that German industrial output had declined 3.2 per cent in March, precisely the level it had risen by in February.

Principal beneficiaries of the firmer dollar were car shares. VW put on DM 13 to DM 360.50; Daimler hardened DM 9.50 to DM 1,005.50; and BMW was up by DM 13 to DM 587 on rumours, about which the company said it had no information, that Honda of Japan was acquiring a stake.

Bonds firmed at the end of moderate trading, gaining up to 30 pfg on demand which was mainly domestic. The Bundesbank sold DM 63.1m worth of domestic paper

Amsterdam firmed on moderate demand encouraged by the overnight surge on Wall Street. The improving dollar helped Dutch internationals especially. Unilever added Fl 9 to end at Fl 587, and Royal Dutch was Fl 5.10 stronger at Fl 245.20.

Zurich was up slightly at the end of a fairly active day. Major banks and engineering groups led the upward trend.

Union bank bearer rose SFr 85 to SFr 4,775 and Crédit Suisse bearer put on SFr 40 to SFr 3,120.

Brussels was slightly down in thin trading, with investors worried about strains in Belgium's four-party collaboration Government. Reserve Holding dropped BFr 40 to close at BFr 3,745.

Paris firmed towards the close, but trade was thin ahead of the long weekend holiday.

Milan closed lower after a fairly active day.

London peak

THE EQUITY market in London burst into record territory as favourable factors on the domestic front were buttressed by Tuesday's surge on Wall Street and a steadier trend in the dollar. The FT-SE 100 index gained 21.4 to a high of 2,086.5, and the FT Ordinary index climbed 13.6 to a peak of 1,640.5. Bonds were easier. Details, Page 34.

Dutch lift their sights

BARON van Ittersum, chairman of the Amsterdam Stock Exchange, yesterday revealed new initiatives to promote the bourse's efforts in international trading, *writes Laura Raun in Amsterdam.*

He said a Dutch representative in Tokyo had been assigned to pump new life into the bourse's plans, announced last year, to provide linked trading between Tokyo and Amsterdam in 24 Japanese shares. The stock exchange also expects shortly to accept the membership of several US brokerage firms in a bid to foster trading in American shares.

So far this year two Japanese stocks have been introduced on the Amsterdam exchange, and more are expected to follow now that a Tokyo office has been opened. Three of Japan's top brokerage firms – Daiwa, Nomura and Yamaichi – joined the Amsterdam bourse last year with the understanding they would promote dealing in Japanese shares.

Several US brokerage firms are also expected to join the bourse soon, including Prudential-Bache Securities, Drexel Burnham Lambert and Merrell Lynch.

SOUTH AFRICA

THERE WERE few major gains in Johannesburg in advance of general election results expected today.

Most gold share closed only slightly changed from Tuesday, an indication of the cautious mood. Vaal Reefs fell R2 to R430; Randfontein gained R2 to R482; Harmony was unchanged at R52; and Driefontein was 25 cents lower at R82.75.

Some blue-chip industrials did well, notably South African Breweries which strengthened R1.25 to R21.50 in expectation of good annual results, a prediction that was later confirmed.

Rolls offer attracts eager crowds

By Richard Tomkins in London

THE £1.36bn ($2.29bn) offer for sale of shares in Rolls-Royce, the state-owned UK aero-engine maker, looks set to have been heavily over-subscribed when it closes at 10 o'clock this morning.

Samuel Montagu, the merchant bank sponsoring the flotation, was confident last night that the number of applications would be high enough to trigger the clawback provision, which increases the size of the offering to the public at the expense of institutional investors.

This would happen when the public offering had been at least twice subscribed although it was thought last night that the subscription would almost certainly be higher.

Samuel Montagu also acknowledged that the number of applications would probably beat the 1.1m received for the £900m British Airways flotation in February. If this is the case, there will be a heavy rationing of shares although the Government still hopes to avoid a ballot.

The last-minute surge of enthusiasm for the offer was evident yesterday as people crowded into the new issues department of the National Westminster Bank in London's Princes Street, which is handling the application forms.

At one point a fast-moving queue of applicants stretched for about 200 yards from the bank's entrance around the corner into Cheapside and caused big traffic jams. Many had travelled into the City in an attempt to find blank application forms.

The severe shortage of forms, which emerged on Tuesday, brought bitter protests from people who felt they had been unfairly excluded from the flotation.

The forms were supposed to have been available at all branches of the National Westminster Bank, but by yesterday they were virtually unobtainable in most parts of Britain.

A random check of 20 NatWest branches across the country found only five with forms available, and in London few branches outside the City had stocks.

ASIA

Nikkei suffers holiday blues

TOKYO

THE UNABATED rise of the yen and post-holiday blues among investors dragged down equities in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average ended 90.47 points down at 23,918.56 on late profit-taking after surging 152 points to a record 24,161 at one stage in the morning on a push by securities companies.

Trading volume shrank from 1.31bn last Friday to 761m shares. Declines led advances by 471 to 359, with 145 issues unchanged.

In an extension of its firmness in the latter part of last week, the market opened stronger yesterday after three consecutive holidays. But it later lost strength as institutional investors kept a low profile, traders said, adding that the strength of the yen also helped push the market down.

Institutions and individuals were awaiting the outcome of an auction of 30-year US Treasury bonds scheduled for today, traders said.

Nippon Steel soared Y17 to Y382 on the day's largest volume of 146.08m shares, accounting for 19 per cent of overall turnover. Investors sought the issue mainly for a quick profit, dealers said.

Other large capital stocks remained out of favour with the exception of Tokyo Gas, which was the second busiest stock on 28.52m shares traded and climbed Y70 to Y1,510.

Blue chip leaders faded after sprinting ahead last week, with Toyota Motor slipping Y50 to Y1,590 and NEC Y10 to Y1,580.

Contractors influenced by Government spending measures closed mixed on late selling after rising in the morning almost across the board.

Bonds moved widely on speculative trading by dealers.

The yield on the benchmark 5.1 per cent 10-year government bond due in June 1996 fell from 2.865 last Saturday to an all-time low of 2.815 per cent at one stage in the morning. The decline stemmed from the yen's appreciation and the Bank of Japan's efforts to guide short-term interest rates lower, dealers said.

However, the yield picked up to close at 2.830 per cent

The Tokyo Stock Exchange said foreigners were net sellers of Japanese stocks in the week ended April 25, continuing a trend which began seven weeks ago.

HONG KONG

HEAVY trading and renewed optimism about the economy sent prices surging in Hong Kong to close sharply up. The Hang Seng index climbed 79.06 points to 2,792, its biggest one-day advance since March 18 when it rose 94.73.

The Cheung Kong group of Mr Li-Kashing was again to the fore with Hutchison the leading active after its two-day suspension, shooting up HK$4.00 to HK$55.50. HK Electric also resumed trading and added 30 cents to close at HK$13.30.

AUSTRALIA

FOREIGN investors returned to Sydney after a brief absence, adding to already strong demand for mines and resource stocks and helping to push the All Ordinaries index up 4.8 to 1,795.4.

Oils and gases also attracted interest while gains in gold were selective in moderate turnover.

Hartogen closed 50 cents up at A$4.70 after reaching a high of A$4.95 on optimism about its oil well exploration off the Philippines.

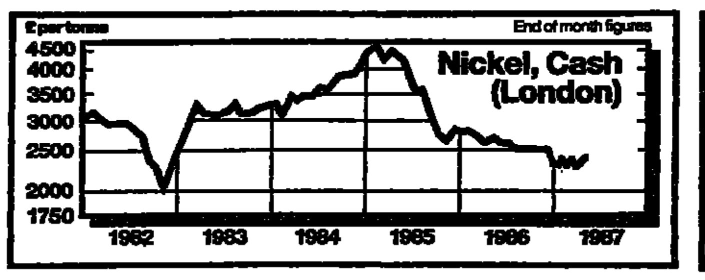
SINGAPORE

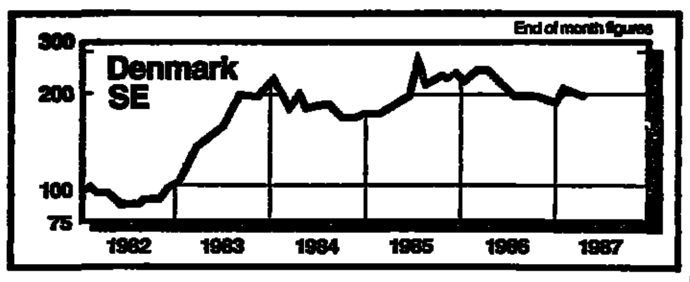
FRESH buying orders ran in late profit-taking in Singapore, but the Straits Times industrial index managed to edge up 1.88 to a new peak of 1,147.53 in a very active session.

The main focus was on Malaysian and second-line stocks.

Malaysian Resources was the most active issue with 4.3m shares changing hands, closing 2½ cents higher at 42½ cents.

KEY MARKET MONITORS





STOCK MARKET INDICES

	May 6	Previous	Year ago
NEW YORK			
DJ Industrials	2,342.19	2,338.07	1,787.95
DJ Transport	964.64	945.85	789.82
DJ Utilities	206.36	206.30	183.73
S&P Comp.	295.46	295.34	237.24
LONDON FT			
Ord	1,640.5	1,629.9	1,346.7
SE 100	2,086.5	2,065.1	1,610.1
A All-share	1,041.33	1,031.74	807.33
A 500	1,162.43	1,150.09	882.82
Gold mines	445.9	453.0	254.5
A Long gilt	8.83	8.80	8.96
World Act. Ind (April 29)	131.31	130.66	89.32
TOKYO			
Nikkei	23,918.56	closed	15,900.1
Tokyo SE	2,134.33	closed	1,252.72
AUSTRALIA			
All Ord.	1,796.0	1,790.6	1,238.3
Metals & Mins.	1,223.7	1,212.0	513.5
AUSTRIA			
Credit Aktien	193.95	195.02	268.26
BELGIAN-SE	4,666.10	4,582.00	3,637.39
CANADA			
Toronto Met.& Mins.	2,841.3	2,827.2	2,107
Composite	3,767.5	3,754.7	3,074.6
Montreal Portfolio	1,864.19	1,855.75	1,572.01
DENMARK SE			
SE	n/a	200.1	234.64
FRANCE			
CAC Gen	450.90	449.60	401.3
Ind. Tendance	112.90	112.40	94.31
WEST GERMANY			
FAZ-Aktien	597.45	590.16	698.41
Commerzbank	1,805.60	1,785.10	2,121.3
HONG KONG Hang Seng	2,792.89	2,713.83	1,858.16
ITALY Banca Comm.	745.93	758.23	801.23
NETHERLANDS ANP CBS			
Gen	280.40	276.40	267.6
Ind	256.30	255.90	255.8
NORWAY Oslo SE	398.91	407.87	336.91
SINGAPORE Straits Times	1,147.50	1,145.60	578.27
SOUTH AFRICA JSE			
Golds	—	2,234.0	1,190.2
Industrials	—	1,846.0	1,109.2
SPAIN Madrid SE	206.79	212.10	187.83
SWEDEN J & P	2,782.10	2,758.30	2,235.98
SWITZERLAND Swiss Bank Ind	590.50	588.10	587.0

COMMODITIES (London)

	May 6	Prev
Silver (spot)	486.85p	530.45p
Copper (cash)	£876.50	£886.00
Coffee (May)	£1,272.50	£1,313.50
Oil (Brent)	$19.15	$19.15

GOLD ($/oz)

	May 6	Prev
London	$458.75	$457.50
Zürich	$455.75	$459.00
Paris (fixing)	$455.66	$463.59
Luxembourg	$456.60	$464.45
New York (June)	$460.80	$460.60

CURRENCIES (London)

	US DOLLAR May 6	US DOLLAR Previous	STERLING May 6	STERLING Previous
$	–	–	1.6850	1.6885
DM	1.7725	1.7690	2.9875	2.9875
Yen	139.15	138.70	234.50	234.25
FFr	5.9275	5.9175	9.9875	9.9925
SFr	1.4535	1.4535	2.4500	2.4550
Fl	1.9970	1.9945	3.3650	3.3675
Lira	1,269	1,267	2,138.25	2,139.50
BFr	36.75	36.75	61.95	62.05
C$	1.3370	1.3420	2.2545	2.2655

INTEREST RATES

	May 6	Prev
Euro-currencies (3-month offered rate)		
£	8 11/16	8 11/16
SFr	3 13/16	3 13/16
DM	3¾	3¾
FFr	8⅜	8⅜
FT London Interbank fixing (offered rate)		
3-month US$	7 5/16	7 5/16
6-month US$	7½	7 7/16
US Fed Funds	6½*	7⅛
US 3-month CDs	6.75*	7.155
US 3-month T-bills	5.615*	5.95

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
June	91–12	91–31	91–10	91–19
US Treasury Bills (IMM) $1m points of 100%				
June	93.85	93.95	93.77	93.73
Certificates of Deposit (IMM) $1m points of 100%				
June	n/a	n/a	n/a	93.38
LONDON				
Three-month Eurodollar $1m points of 100%				
June	92.51	92.52	92.46	92.46
20-year Notional Gilt £50,000 32nds of 100%				
June	127–07	127–18	127–01	127–19

US BONDS

Treasury

	May 6 Price	May 6 Yield	Prev Price	Prev Yield
7⅞ 1989	99 3/32	7.825	99 5/32	7.59
7 1994	92 27/32	8.375	93 11/32	8.281
7¼ 1996	91 25/32	8.552	92 7/32	8.455
7¼ 2016	86 29/32	8.74	87 11/32	8.67

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	May 6 Return Index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.59	7.78	−0.03

Source: Merrill Lynch

Corporate

	May 6* Price	May 6* Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	92.87	6.45	92.387	6.60
SCBT South Central 10⅞ Jan 1993	104	9.95	104.00	9.95
Phibro Sal 8 April 1996	91.39	9.45	91.956	9.35
TRW 8⅞ March 1996	96.43	9.35	96.718	9.30
Arco 9⅞ March 2016	100.625	9.81	101	9.77
General Motors 8⅛ April 2016	84	9.80	84.375	9.75
Citicorp 9⅞ March 2015	72.87	10.15	94.55	9.95

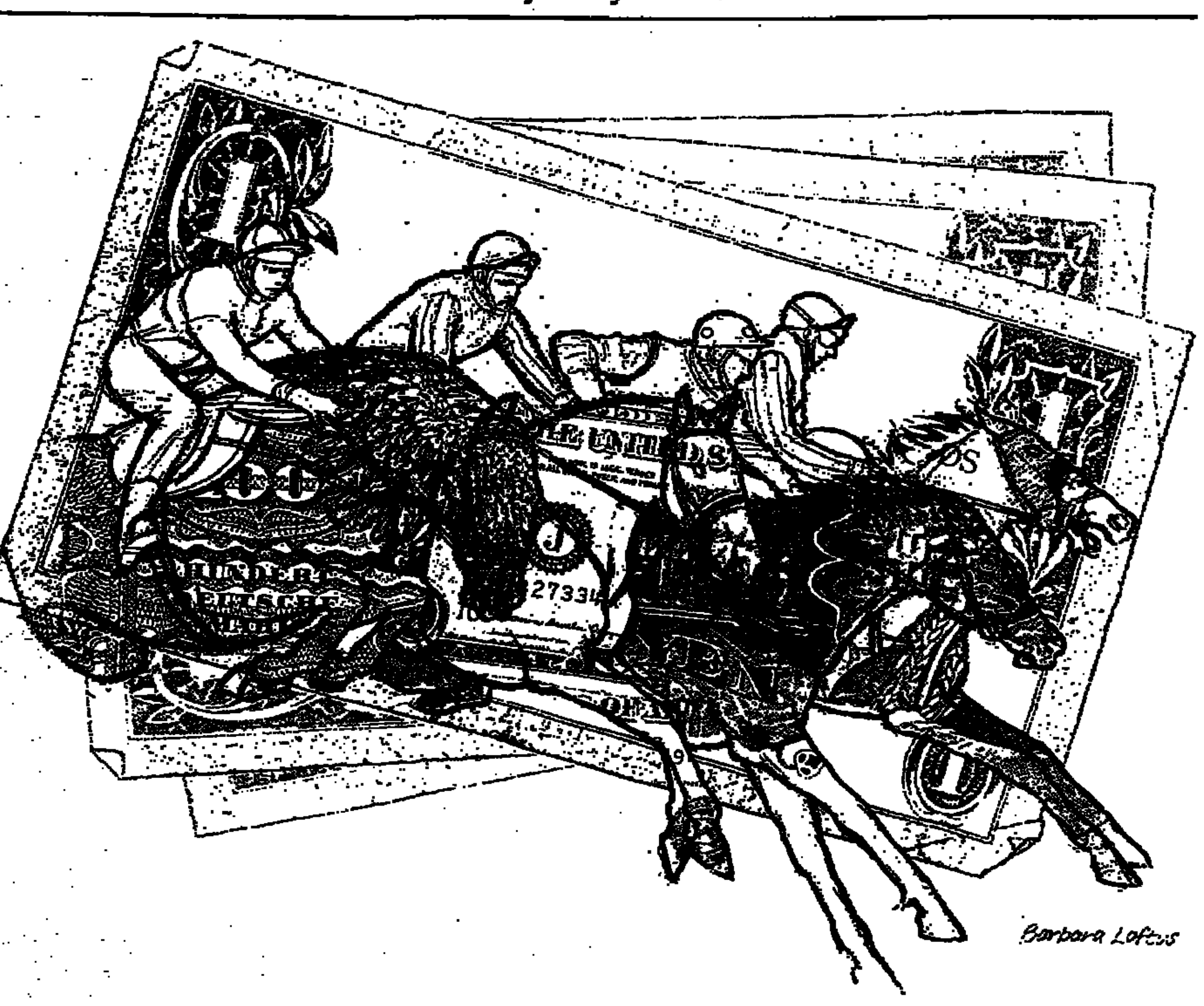
Source: Salomon Brothers

* Latest available figures

SECTION III

FINANCIAL TIMES SURVEY

The going is proving to be heavier than expected in the race between the international banks to win global stakes, says Banking Editor **David Lascelles.** It indicates that the new era of liberalisation will not be attained without some pain or casualties.



World Banking

PART ONE

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Part Two of this survey will appear tomorrow, and will include articles on banking services, and reports from western Europe, Scandinavia, Israel, and the Soviet Union and eastern Europe.

Statistical material for the survey was supplied by the Market Intelligence Department of the National Westminster Bank.

The big race becomes tough

THE WORLD banking business can seldom have more closely resembled a steeplechase than it does today.

With two or three dozen of the world's largest banks chasing the global stakes, striving to become the first truly multinational financial institutions, the banking scene has all the excitement of a big race. On the other hand, the course is strewn with high fences and water-jumps which have claimed their casualties and will doubtless bring more runners down before the great event is over.

A year ago, a betting man would have described the going as good. The rapid liberalisation of banking markets around the world, the perfection of new technology and the free rein allowed to inventive financial minds seemed to open up a new era in banking. Even the Third World debt problem appeared to present less of an obstacle as the most hard-pressed countries got their houses in order. The day when bankers could deal regardless of time, location or currency seemed to be at hand.

But, as a cautious banker might have predicted, the going is turning out to be much heavier than expected. Although liberalisation has proceeded in some quarters, notably in London with the Big Bang, it has ground to a standstill in the world's other two major financial centres, New York and Tokyo. In Japan, it has even become enmeshed in bitter political wrangling as foreigners attack what they believe to be unfair treatment of foreign banks.

Innovation has also turned out to have its darker side. In their constant quest for something new, some banks have overstepped the mark and come unstuck with alarming speed. Who would have predicted, a year ago, that classy names like Morgan Grenfell and Mellon Bank could have fallen from grace? The risk in over-zealous innovation has accelerated efforts by banking supervisors to tighten up the rules, like race stewards adding the handicaps.

Possibly most worrying of all in the first part of this year, the less-developed-countries (LDC) debt crisis has reared its ugly head again. Brazil, once praised for the firm action it was taking to master its debts, suspended interest payements on $68bn of medium and long-term loans in February, forcing US banks to downgrade their Brazilian exposure with a measurable impact on their first quarter profits.

The Brazilian shock was probably a useful reminder, not just to the banks but to the world at large, that the problem had not receded, even if it no longer grabbed the headlines. Back in 1982, when the crisis started, it was estimated that world growth would have to reach 3 per cent a year to give sufficient economic stimulus to the indebted nations. That level has not been achieved; the IMF has just predicted growth for this year of 2.3 per cent, down from 2.4 per cent last year.

The implication is that vigilance and more hard work will be needed by banks and governments to achieve the goals of the Baker Plan, the 1986 initiative by the US Treasury Secretary to combine sound financial policies and further cash loans to help out the debtor nations.

Nevertheless, there is reason for optimism. Even as Brazil was sending shocks through the system, banks were putting the final touches to a new $7bn package for Mexico which — delayed though it was by disagreement — showed that banks could still come up with new money. Argentina was also on its way to getting more money.

Furthermore, the relative importance of LDC debt continues to fall. According to calculations by Paine Webber, the Wall Street securities firm, loans to the big four LDC borrowers (Brazil, Mexico, Argentina, Venezuela) have fallen from the equivalent of 143 per cent of the capital of the largest US banks, to 74 per cent.

Banks are also continuing to expand their loan loss reserves, though their efforts are patchy. A much improved example has been set by Citicorp, a bank which used to argue that countries never go broke. Now, the US's largest bank is building up substantial provisions, even at the cost of turning in poor earnings.

Japan provided a further solution by creating what amounted to a dustbin for LDC loans in the Cayman Islands. But since it depends on the readiness of the Tokyo Government to give Japanese banks generous tax benefits for loan write-downs, which other countries would find politically difficult to match, it may not set a useful model for anyone else.

Aside from that initiative, though, the innovative spirit of which bankers are currently so proud has come up with little to help the Third World out of its financial predicament. The bright minds which invented perpetual bonds and interest-rate swaps have been unable to transform Latin American loans into anything widely tradable, even in the junk bond market.

Inventiveness, though, provides much of the drive in banking today, particularly as avenues open up to new products and new markets. All the leading bank contenders in the global stakes aspire to, or have already achieved, membership of the world's major capital and equity markets, so as to meet the growing demand for investment products which are now replacing traditional banking services.

But whereas the mood a year ago was one of euphoria, as bankers latched on to the buzz words of "globalisation" and "securitisation," a note of caution and even anxiety has crept into their vocabulary. The enormous costs of setting up worldwide investment banking operations have taken a heavy toll. In London alone the total investment by banks, British and foreign, in Big Bang exceeded $500m, and profits at the moment are slim or non-existent. Volatile prices and unfamiliar risks have also brought trading losses for banks active in the Euromarkets.

When Midland Bank beat an early retreat from the equity market post-Big Bang, other bankers were not sure whether to sneer at its cowardice or applaud its wisdom. Others will be joining Midland on the sidelines before long, possibly nursing even heavier injuries.

Despite their great efforts to expand internationally, though, no bank has yet managed to achieve a powerful position in a foreign market. In New York, London, Tokyo and the continental centres, the local banks remain dominant. This may eventually change. But it is an indication of how deeply entrenched banking attitudes and relationships remain, despite all the talk of progress and upheaval.

A growing recognition of the risks has also prompted firmer and more widely co-ordinated action from the banking authorities. Supervisors are striving to create new sets of rules that will encompass all the new products which are coming on to the market, particularly those which do not appear on balance sheets but still expose banks to risks. Last month, Mr Gerry Corrigan, President of the New York Fed, appointed a special committee of international financial practitioners to help keep the Fed abreast of developments.

The agreement between the UK and the US in January to harmonise capital adequacy standards for the two countries was hailed as a major milestone in international banking supervision, though its significance will be limited until other countries join it too.

This applies particularly to Japan, whose financial institutions are rapidly becoming a major force on the international scene. Their new-found dominance of the world banking leagues (the world's four largest banks in asset terms are now Japanese) is partly due to the steep appreciation of the yen against the dollar. But the aggressive tactics of the Japanese and their alleged protectionism of their domestic market has produced a chorus of "foul" from foreign bankers, who are only too aware of what happens to markets when the Japanese set their sights on them. Financial relations with Japan are likely to remain strained and politically charged until banks in other countries feel that Japanese institutions are playing according to the same rules.

The steeplechase has barely passed the first fence, and many lie ahead. Do banks have the capital to stay the course? Will the regulatory barriers come down far enough to permit them to fulfill their investment-banking ambitions? Do they have the quality of management and staff to stay in the saddle? And are the course stewards acute enough to prevent foul play and accidents? These are the key questions to which nobody would yet claim to have firm answers.

The global market

More than a mere slogan

THE GROWTH of world trade over the last 40 years has led to a significant deepening of global economic interdependence, reinforced dramatically in the last decade by a widespread relaxation of constraints on capital flows.

Developments in computers, electronics and communications have fostered a climate of change in financial centres across the world, which in turn has made "the global market" much more than an advertising slogan.

The crumbling of national boundaries to capital transfers was also a result of ideological shift in the industrialised west, which brought about a renewed belief in the efficiency of markets as a means of allocating scarce resources.

The existence of large pools of dollars and regulations which deterred borrowers from using the US domestic markets had in the 1960s spawned the growth of the Eurobond market. Growth in the international financial market-place was spurred first by the abandonment in the early 1970s of the fixed exchange rate regime of Bretton Woods, and then by the lifting one-by-one of exchange controls, interest-rate ceilings and other capital market restrictions.

As a result, the treasurer of a major company or a government debt director now has a myriad of currencies and instruments in which he can borrow. Increasingly, companies can issue shares wherever they believe they will fetch the best price. Investors, too, can throw off the shackles of sluggish domestic markets and seek growth opportunities elsewhere, reducing risk by hedging in forward, futures or options markets.

Participants in many US markets, formerly preoccupied by purely domestic considerations, now have to keep in touch with international developments, or fail to be in touch at all. The opening prices in the US government bond market are taken, not from the previous New York close, but from prevailing prices in London.

Judging by the vast sums of money being invested worldwide in the "globalisation" of their operations, securities firms and banks are staking much on a continuation of this growth.

That this should not be taken for granted is underlined by the way that friction on trade between Japan and the UK has led to talk of retaliation against Japanese financial institutions. It may not make much sense for a British government with a policy of developing London as a world financial centre to threaten the main conduit for funds from the world's largest capital exporter. But it does underscore the dangers that the "global market" may fall victim to political decisions.

More important perhaps, the process of worldwide market integration has been a bull-market phenomenon. *Rising* markets in stocks and bonds have been coupled with accurately predicted long-term moves in the dollar against other major currencies.

The decline of the dollar since February 1985, for example, has ensured that, in the highly competitive field of fund management, those managers who diversified away from American stocks have generally performed better than those who did not.

According to US Treasury statistics, US purchases and sales of foreign stocks climbed to $72bn in the first nine months of 1986, from $45.9bn in the whole of 1985 and from $15.7bn in 1982. US holdings of foreign stocks are estimated in the region of $50bn.

Many followers of international equities trading believe this growth will be reversed in the event of a gobal retrenchment of stock markets, which will lead institutions to retreat to home markets.

That this can happen is well illustrated by the way that Japanese institutions retreated defensively to the Tokyo market last month amid worries about a continued slide in the dollar.

Ministry of Finance figures show that transactions in foreign shares by Japanese entities rose to $89.6bn in the first 11 months of 1986, from $54.5bn in the whole of 1985 and a mere $6.2bn in 1982. If the retreat of the Japanese were to be more than a short-term phenomenon, the prospect of continued growth in the international securities markets would be highly unlikely.

Indeed, April's sharp declines of bond and stock markets (except in Tokyo) and the dollar illustrate the way in which a financial shock could affect all the world's major markets simultaneously. Fear of this may further deter the process of financial deregulation, the uneven pace of which is already holding back the development of fully integrated markets.

Even in the current expansionary phase, the intensity of competition means that many areas of the market are not profitable to many securities firms.

In London particularly, salaries have spiralled as individuals and teams have been poached from rival firms, causing costs to escalate and underlining the problems of buying into a business whose main asset is its people.

Cultural differences also hinder the process, illustrated most forcefully by the difficulties faced by foreign firms trying to break into the Tokyo market. These differences often open up in the international equities business because of the dependence on the home market. The difficulties encountered by Deutsche Bank Capital Markets in placing about 10 per cent of Fiat's shares last year illustrated this dependence, and a lack of depth in international equity markets.

Some markets, such as that in Madrid, require that bargains go through the exchange before a legal transfer has been made.

Settlement problems, in Italy, Spain and other countries, are still a nightmare for international share dealers, and a universal international share-clearing service is still a long way off.

The spread of information and technology suggests that there will be fewer and fewer hiding places from the judgments of international financial markets, like them or not. A complete unravelling of the international linkages built up since the war and a return to financial autarchy for any major industrialised economy is not a realistic prospect.

In internal political debates on the question in many countries, it is becoming clear that the goalposts have moved, as illustrated by the decision by Britain's opposition Labour Party to support plans by the Conservative government to abolish the vestiges of the UK's exchange control laws.

It would be wrong, however, to extrapolate too far the trend towards internationalisation.

Stephen Fidler

How the global institutions line up

	London GBD	London SE	New York GBD	New York SE	Tokyo SL	Tokyo SE
Citicorp	X	X	X	X	X	X
Chase Manhattan	X	X	X	X	X	
Bankers Trust	X	X	X	X		
Security Pacific	X	X	X	X	X	
Morgan Guaranty	X	X	X			
Merrill Lynch	X	X	X	X	X	X
Salomon Brothers	X	X	X	X	X	
Morgan Stanley	X	X	X	X	X	X
Goldman Sachs	X	X	X	X	X	X
American Express	X	X	X	X	X	
Barclays Bank	X	X				
Lloyds Bank	X	X				
Midland Bank	X	X	X		X	
National Westminster	X	X		X	X	
Kleinwort Benson	X	X	X	X	X	
Mercury International Group	X	X		X	X	X
Deutsche Bank	X	X		X	X	
UBS	X	X		X	X	
Swiss Bank Corp		X		X	X	
Credit Suisse First Boston	X	X	X	X	X	
Nomura		X	X	X	X	X
Daiwa		X	X	X	X	X
Nikko		X		X	X	X
Yamaichi		X		X	X	X

GBD=Officially designated primary Government Bond Dealer. SE=Stock Exchange Member. SL=Securities Licence holder.

Note: Many institutions are represented through subsidiaries and affiliates.

International capital flows

Big questions are looming

INTERNATIONAL capital flows in the first half of the 1980s were dominated by the emergence of the United States as the world's borrower and spender of last resort.

The counterpart of that development was that Japan, with its notoriously high propensity to save, and thus to finance other people's budget deficits, became the world's biggest creditors. In the two years to the end of 1985, its outflow of portfolio capital rose from $16bn to nearly $60bn, of which 78 per cent went to the US. Japan's external assets, meantime, are now estimated to have topped $200bn.

As long as these two countries maintain complementary imbalances between savings and investment in their respective economies, there is scope for profitable financial intermediation. And since the Japanese demand for investments comes primarily from long-term financial institutions handling pensions and insurance business, it has been directed mainly at the securtities markets.

To that extent commercial banks have, at first sight, been less well placed to handle the task of intermediating the flows than they were in the 1970s, when Opec creditors were more anxious to keep their assets in the form of readily realisable deposits. But with the steady erosion of the regulatory boundaries between commercial and investment banking around the world, they have managed to win a fair share of the business. London in particular, with its relatively liberal regulatory climate, has seen numerous American and Japanese commercial banks develop substantial securities operations that would be prohibited back at home.

Countries like Britain reap the reward of Japanese jobs

The big question for the rest of the decade is not how the business will be divided between types of financial institution, but how it will be parcelled out between different nationalities. And, indeed, whether financial markets can escape the protectionist clamour in the United States and Europe which capital flows have helped create through their impact on exchange rates and so, in turn, on trade balances.

As the world's biggest *rentier*, Japan is in a position similar to that of Britain before the first world war, but without the wider reserve role in the global system that sterling used to play. It is inevitable that its banks, securities firms and insurance companies should seek to handle part of the financial business that stems from capital outflows generated by Japanese savers, just as Britain at the turn of the century housed the world's biggest financial community.

In 1985 the Japanese banks overtook the Americans as the biggest international lenders. And in the Eurobond market the Japanese banks and securities houses are now dominating the league tables. Credit Suisse First Boston, long the market leader, is under threat from the likes of Nomura Securities.

At the same time, the Japanese banks have been buying more directly into the American financial sector. Having bought, *inter alia*, a number of second-tier banks in California—their focus is now shifting to the investment banking community on Wall Street. Goldman Sachs has turned to Sumitomo Bank for capital, in exchange for granting a minority equity interest. Japanese insurers, meantime, are looking in the same direction. Nippon Life has bought into Shearson Lehman, the securities and investment banking arm of American Express.

All this has caused growing concern, especially among western commercial bankers. In Britain, for example, the Japanese banks have been formidably successful in buying market-share in local authority lending, which has hurt the British clearers. They are now assiduously courting the corporate treasurers; and in view of the loosening of ties between companies and their bankers as a result of liberalisation and the growth of increasingly sophisticated liability management, the Japanese will undoubtedly win plenty of the business.

This has already led to accusations, most notably from the chairman of Barclays Bank last year, that the Japanese are "dumping" financial products. This is true, in the sense that Japanese banks enjoy access to cheaper capital and operate under more flexible capital ratios than banks in Britain and the United States. Hence a strong desire on the part of officials at the Federal Reserve and the Bank of England to extend a recent bilateral accord on capital ratios to the Japanese.

The trouble is that it may take more than a bilateral accord to cope with the problem. This is because the solution that the United States has adopted to cope with its trade imbalance with Japan — namely competitive devaluation — has the effect of strengthening Japanese financial institutions at the same time as it makes the manufacturing sector less competitive in international markets.

Any appreciation of the yen will, on balance, tend to increase the capital base of banks and insurance companies in terms of other people's currencies, thereby strengthening their ratios and solvency margins.

The impact is then given a further twist by the response of Japanese fund managers to the weakness of the dollar. When they panic, as they appear to have done in the aftermath of the Louvre currency accord reached by the Group of Six in Paris earlier this year, they cannot find adequate outlets in Europe or elsewhere for their huge cash flow. As a result they end up pumping yet more money into the Tokyo market, thereby pushing up prices even further and reducing the Japanese financial institutions' cost of capital. In a market that has lost touch with fundamental values, and which rates companies on price-earnings ratios in the hundreds, this process becomes a self-fulfilling one. Until, that is, some external shock delivers a blow to investors' confidence.

This perverse cycle helps explain the paradox of why the Tokyo market so often goes up in tandem with a rising yen that is undermining Japanese industry's competitiveness: much of the action this year has been in financial stocks. But it also makes it inevitable that Japanese banks will grab a growing share of a very competitive international banking market in a world that is short of good quality borrowers.

The chief beneficiaries of the Japanese invasion will continue to be the big borrowers who enjoy access to cheaper credit — and the countries, like Britain, which play host to international financial business and reap the rewards of the Japanese influx in jobs, tax revenues and balance of payments benefits. Which makes it all the stranger that Mrs Thatcher should have been so anxious to threaten the Japanese with the reciprocity clauses of Britain's new Financial Services Act. Retaliation in financial services is an odd rallying cry for a government that unleashed the Big Bang to make London more competitive as an international financial centre.

John Plender

FT European Banking Conference

THE REVOLUTION in Italian finance will be the major topic of discussion on the first day of the FT European Banking Conference, to be held in Milan on May 18 and 19.

Politicians and industrialists, as well as bankers, will give their views on the rapidly changing scene in one of Europe's most fascinating economies. The second day will concentrate on international banking questions, and will include the subjects normally discussed at the annual FT Euromarkets conference.

Among the speakers at the conference, which is to be held at the Hotel Principe di Savoia, Piazza della Repubblica 17, will be Mr Bettino Craxi, acting prime minister of Italy; Mr Giovanni Goria, Italian Treasury Minister; and Mr Denis Healey, the UK Labour Party spokesman on foreign affairs.

Inquiries to: Financial Times Conference Organisation, Minster House, Arthur Street, London EC4R 9AX. Tel 01-621 1355.

Regulation

Why the transatlantic deal must be extended

IF THE world banking industry finds itself in a state of major upheaval, the agencies who regulate it are doing their best to keep pace with events too.

But with the internationalisation of global financial markets, banking regulation now needs to be judged on a world level, and there the trends are far from consistent.

At one end, banking supervisors from various countries have recognised the need for greater harmony between their rules, so that banks which operate across borders are subject to the same regulatory standards and costs. Notable in this regard was the January initiative between the UK and the US to bring banking regulation in those two countries on to convergent paths.

On the other hand, the pace of regulatory reform in various countries varies from the breath-takingly fast to the non-existent, which means that gaps between the fast and the slow-movers are becoming increasingly wide and putting severe strains on the system. The best example here, ironically, also involves the UK and the US: the Big Bang in the former has opened up wide new avenues for banks, while in the latter there has been virtually no regulatory easing at all.

The UK-US convergence accord has been described as something of a landmark in financial regulation. It grew out of the mounting conviction at the Bank of England and the Federal Reserve Board that harmonisation of rules on bank soundness, particularly capital adequacy, was now not only desirable but possible. This was reinforced last October when a meeting of international bank regulators in Amsterdam, from nearly 100 countries, endorsed the concept of universal banking regulations.

The accord lays out common definitions of bank capital for the UK and the US, and proposes a method for establishing common capital adequacy too. This will consist of a minimum capital level for all banks from both countries (yet to be set), plus individual levels for each bank which will remain confidential.

But there is still a lot of work to do. One major task is to flesh out the agreement (which mainly covers conventional banking business such as lending) with measures to cater for the banks' growing involvement in new areas such as securities dealing and off balance sheet activities. This is a highly technical matter, but it should be achievable, given time for consultations between banks and officials.

A more challenging task will be to extend the accord to include other countries. Unless this can be achieved, the accord's relevance will not only be small but, more dangerous, it may not even hold together, because British and American banks will rebel at being yoked to a set of fairly demanding rules while banks from other countries continue as before.

As Mr Robin Leigh-Pemberton, the Governor of the Bank of England, said at the time of the announcement, it is particularly important that Japanese banks be included. They are not only now, as a group, the world's largest banks, but their methods of competition remain highly controversial. In particular, it is felt in the west, that they benefit unfairly from generous rules on capital adequacy.

A team from the Bank of England went to Tokyo last month to discuss Japanese inclusion in the accord. Like most negotiations with Japan, they were laborious and not immediately productive. However, the Japanese Ministry of Finance has accepted that Japanese banks should adhere to more explicit capital rules, especially for their international business, and there seems little doubt that Japan will join given time.

In Europe, several countries, such as France, seem ready to join quite soon. West Germany is showing less enthusiasm, because it has only recently enacted a new banking law which enshrines in statute many of the country's rules on bank capital, and it may be too soon to embark on another new initiative. As far as agencies like the Bank of England and the Fed are concerned, though, a process has been set in motion, even if it may not bear full fruit until the 1990s.

Mr Robin Leigh-Pemberton: Important to include the Japanese — Hugh Routledge

The accord should also be able to proceed irrespective of the pace of regulatory change within individual countries, because it is concerned with bank soundness rather than with the permissible activities for banks.

This second issue, however, is becoming increasingly fraught. The rapid pace of regulatory change in Europe in the last 12 months, particularly in the UK, has hastened the advance of banks into the securities industry.

In the City of London, both the equities and gilts markets are now dominated by banks; similar changes are underway in France, and there have also been changes in Germany and Switzerland, though banks were already well established in those countries' securities markets for historical reasons.

From the European standpoint, these reforms have established the securities business as a legitimate, if not natural, field for banks and have effectively eliminated any sense that securities markets were somehow distinct from banking. From the banks' point of view, the changes have also helped them develop their capital markets capabilities at a time when the financial preferences of their customers were shifting in that direction.

Any prospect, however, of the US following in that direction was dealt a severe setback last month when Congress decided to impose a one-year moratorium on extending bank powers. This was partly in reaction to the many scandals that have rocked Wall Street in recent months. But it also shows that US legislators have still not shaken off their strong anti-bank sentiments, even though US banking regulators have been pushing for change.

Mr Paul Volcker, the Fed chairman, has made no secret of the fact that many bank rules, particularly those which prevent banks engaging fully in the securities business, are rapidly becoming impossible to implement, and may even be causing harm. Mr Gerry Corrigan, the President of the New York Fed, tried to break the logjam with a detailed proposal to redraw the boundaries of banking—essentially so that banks could engage in a wide range of financial services, but nothing non-financial.

The outcome was a disappointment for large "money centre" banks, which had created new securities subsidiaries in anticipation of regulatory changes. It also makes less likely any change in Japan, where banks are constrained by similar barriers.

In a bitter comment on this development, Mr Dennis Weatherstone, the president of J. P. Morgan, proclaimed: "While we remain hopeful that regulators and the Congress will work together to bring our domestic regulatory structure into line with the new realities, I must stress the urgency of that co-operative effort. Further procrastination will prevent banks from adapting to changed market conditions."

It is ironic that many of the world's largest banks are prevented from engaging in the full range of financial services—at least in their home countries (they take advantage of their freedom to do so abroad). And their growth may well be stunted as a result.

On the other hand, there is much discussion of the risks assumed by banks in the UK and elsewhere as they plunge into the securities markets, and a proper judgment as to the wisdom of permitting deregulation on such a broad scale may not be possible for some years.

David Lascelles

The UK-US banking accord

THE MAIN points of the accord between UK and US banking authorities are:

1. Use of the " primary capital ratio " to determine bank strength. The accord contains a definition of primary capital as the basic foundation of bank balance sheets.
2. Banks' gearing to be calculated on a " risk asset " basis, i.e. by weighting assets according to their riskiness.
3. The proposals to include off balance sheet transactions.
4. A minimum risk asset ratio to be decided jointly by UK and US, but each bank to be allocated its own ratio.
5. Further work to be done on assessing risks of holding non-government securities.
6. Other countries to be invited to join, particularly Japan and other members of the Group of Ten countries.

Alan Harper

NatWest's London water-clock: the bank has primed the pump for trading in the US market

Capital

The alchemists start again

CAPITAL HAS become without doubt the most precious commodity possessed by banks, because it holds the key to their rate of growth. So it is not surprising that, as regulators continue to press bankers to obtain more of it, their quest for capital has become steadily more inventive and far-flung.

A year ago, bankers thought they had found the equivalent of the philosopher's stone: the perpetual bond, which looked a lump of debt but could be counted as golden equity. They raised several billion dollars' worth.

But the market suddenly went awry last winter when investors realised that the golden nuggets were just lumps of debt after all, and prices plunged. The alchemists have now gone back to their laboratories to try to cook up something new, and the results of their labours are eagerly awaited. But it is hard to imagine that the investors will allow themselves to be hoodwinked so easily again.

Another major breakthrough came in January with the creation, for the first time, of multi-currency capital. The pioneering work was done by Scandinavian Bank, a London-based consortium bank owned by five banks in the Nordic countries.

Scandinavian, whose capital was denominated in sterling but the bulk of whose assets are in foreign currencies, had suffered strain on its capital ratios because of the steady decline in sterling's value. So it obtained court permission to re-denominate its capital in a basket of currencies consisting of the dollar, the Deutsche Mark, the Swiss franc and sterling. This feat, which had long been thought impossible, was crowned when Scandinavian later successfully floated its multi-currency shares on the London Stock exchange.

Other banks are certain to follow its example. Although multi-currency capital does not open up a wholly new market, like perpetual bonds, it eases capital constraints by removing uncertainties about currency fluctuations in capital planning.

It is harder, though, for large banks with thousands of shareholders to obtain approval for such complex deals. However, a number of banks have begun to make determined moves to tap sources of capital outside their own countries. Many of the world's largest banks have now obtained listings for their shares in the world's three major markets: London, New York and Tokyo; and some have gone further still and raised money there.

NatWest, the UK's largest clearing bank, made an issue of £121m-worth of new shares in New York last September, to prime the pump for trading on the US market. This month, Barclays takes the process one stage further by issuing £100m-worth of shares simultaneously in each of Tokyo and New York. The issue is one of the most complex international equity-raising exercises undertaken, but, if successful, it should strengthen greatly the international acceptability of bank shares.

The growing internationalisation of equity issuance marks the recognition by banks that they now compete globally not just on the asset side by raising capital. This means their performance has to measure up to that of their foreign competitors.

None of these innovations, though, provides any final answer to the banks' capital problems, particularly to the majority whose shares continue to trade below their net asset value. And developments like the UK-US capital accord and the regulators' decisions to require capital backing for off-balance-sheet items point to larger capital needs in the years ahead. To meet these needs, banks will continue to have to strive for improved earnings, higher retentions and greater favour among their shareholders.

David Lascelles

If Brazil plays to its own rules, the banks expect better management

Ashley Ashwood

Third World debt

Uneasy stand-off in Brazil

IF A major developing country debtor had declared a moratorium on interest payments four years ago, it would have sent shock waves through the international banking system.

But when Brazil did so in February this year, halting interest payments indefinitely on $68bn on debt to banks, there was little drama in the markets beyond a fall in bank stock prices.

This was a clear indication that although the crisis has deepened — with the largest debtor now further than ever from regaining easy access to new voluntary lending — the handling of it has also moved into a new phase.

Banks are better capitalised and at least in some countries have made substantial provisions against their loans. US banks have made less provisions than most. But many of them have also demonstrated their greater resilience to such shocks by putting their Brazilian debt on non-accrual status, accounting for interest only when it is paid, before they are strictly required to do so.

Beyond that, many bankers see the need for greater flexibility in providing debtors with refinancing packages, instead of cranking out straightforward rescheduling and new loan packages as has now become customary. There is more of a positive deal-making atmosphere surrounding developing-country debt, visible for example in the arrangement of debt/equity swaps.

Notwithstanding the relative calm with which the Brazilian move has been greeted, there is no doubt that it is a serious disappointment. Brazil's Cruzado Plan, hailed last year as the saviour of the country's economic woes, crumbled late in the year as the Government failed to take sufficient action to keep it on track. Inflation soared and the trade deficit shrank.

For banks, Brazil's insistence that it will not accept an orthodox economic programme monitored by the International Monetary Fund had mattered less while economic progress was visible and the country needed no new money.

But their confidence has now been severely damaged, and their attitude to Brazil hardened by the unilateral actions which Brazil has taken. Not only did it suspend interest payments on medium and long term debt, but it also altered rollover procedures on $15bn of short-term interbank and trade credit lines in such a way as to effectively freeze them.

Since then, Brazilian negotiators and the advisory committee headed by Citicorp have been in an uneasy stand-off, and little or no progress has been made towards resolving the situation.

However, there are hopeful signs in the conciliatory noises being made by some bankers, and in the appointment in Brazil of a new debt commission and chief negotiator. Banks, nevertheless, will be looking for convincing economic measures—with or without the stamp of the IMF—as the backdrop to any new negotiations.

The Brazilian suspension came when the overall picture for the debt crisis was distinctly mixed. Some creditors, like Chile, Venezuela and the Philippines, were in relatively good economic shape and in the process of negotiating better terms from banks.

Others, like Mexico and Ecuador, had suffered setbacks, while Peru had isolated itself from the international financial community. Argentina, third in importance after Brazil and Mexico, was meanwhile negotiating a crucial agreement with the banks.

Banks could justly claim that progress had been made, and they rushed to capitalise on it—at the same time isolating Brazil—by reaching agreements with Venezuela, Chile, the Philippines, and finally Argentina.

In doing so, they were also attempting to undo the damage which some banks had felt was done when they were forced by official pressure to accept what they considered to be concessionary terms on Mexico's $7.7bn and $43bn rescheduling package—which spread repayments over 20 years at 13/16 percentage points above London interbank offered rates.

The Mexican package proved to be the hardest ever to sell to the broader community of creditor banks. Squabbles over exactly how much each bank should put up, and the basic reluctance of many banks to contribute new money, meant that the package is only now being finalised after seven months of processing.

Even after the Mexicans had signed the accord with a flourish, the country's six largest creditors among British banks refused to sign, because many US regionals had not done so and because some of the larger banks were not putting in their full commitment to the $7.7bn loan. Since such loans go to pay interest to all banks, they felt they were bailing out banks who were not playing the game.

In the end, the problem was resolved when the bigger US banks agreed to kick in a larger amount. But the many disputes surrounding the loan left bankers bitter, and feeling that a package along the same lines could not be tried again.

Banks have come under considerable pressure from western governments to speed up the process. Mr James Baker, the US Treasury Secretary, has said that commercial bank lending has been the most difficult part to implement of his Baker Plan strategy for financing growth-oriented economic programmes in debtor countries.

In future packages—perhaps even in that for Argentina, and almost certainly when a Brazilian package finally comes to market—it is likely that a new approach will be adopted. The base upon which requests for new loans is calculated is expected to be updated—in Mexico's case, banks were asked for a proportion of the August 1982 exposure, even though many would have sold their loans in the secondary market and therefore consider that they had no exposure.

In addition, the problem of "free rider" banks receiving interest though not putting up new money is likely to be approached by disqualifying them from interest payments. Interest would instead be capitalised.

Another mechanism likely to be tried is "exit bonds," to be offered to banks at a discount and ending their exposure. Terms of these, however, could well be inherently unattractive to banks which are still accustomed to receiving interest and see no reason why they should not go on doing so.

Alexander Nicoll

Mr James Baker says commercial bank lending has been the most difficult part of his plan to implement.

Innovation

Living with risky instruments

INNOVATION IN the international capital markets used to be the relatively simple process of devising new instruments which could be offered by borrowers to investors. Now, it is a much more complex business of packaging a range of instruments.

Such packages do include relatively new instruments such as swaps, financial futures and options. One of the effects of these — and particularly swaps — is to make individual financial markets more closely related to each other.

These instruments, and the closer integration, create new risks for banks involved. Both the banks and the regulators have been struggling to quantify and deal with them.

The danger is not only that a market such as swaps could throw up huge unforeseen losses, but also that the new interdependence of markets could produce, in the event of an accident, a chain-reaction in financial centres around the world, creating a huge shock to the world's financial system.

More than that, the imposition of unequal regulations in different countries to handle risks could precipitate huge capital flows and destabilisation of markets. Partly with this in mind, the Federal Reserve and the Bank of England have co-operated to produce new joint minimum capital standards for banks.

The new guidelines, still to be implemented, will put a weighting on all bank assets based on risk, and will importantly include off-balance risks such as note issuance facilities — although these are already declining in importance in the capital markets with the growth of the commercial paper markets.

The accord omits banks' exposure to changes in the value of their securities holdings, although this is being addressed in separate intensive work by UK regulators in connection with the implementation of the Financial Services Act.

Separately, the Bank and the Fed have published guidelines for capital adequacy provisions for off-balance sheet instruments such as swaps and forward-rate agreements—also a growing market. Many bankers, though they might argue with some aspects of the proposed rules, believe the additional and joint supervision is overdue.

Though the Eurobond market continues to churn out new instruments—with particular emphasis lately on variations of equity-linked bonds—the growth of the swaps market must rank as the most significant innovation of recent years, having profound effects not only on the markets but on the players themselves.

Swaps enable borrowers to transform their capital market borrowings—to tap the market in which they can obtain the best terms, and then to service the debt in the way that suits them best. A fixed rate commitment can be altered to floating rates, and a commitment in one currency switched into another. Investors, too, are learning to use the same techniques through asset swaps.

Credit Suisse First Boston, in its most recent annual report, estimates that the swaps market has grown from almost nothing in 1981 to $300bn last year.

It says innovative forces have required a new approach to the servicing by banks of issuers and investors, and that: "it is now possible for the component parts of a financing or investment package to be assembled in innumerable combinations."

The components, it says, include fixed and floating rate obligations, a wide variety of maturities, and a broad spectrum of currencies, swaps, futures and options.

"The resulting financial packages cannot be created by financial institutions, which are organised only to perform their traditional role of intermediary between issuers and investors."

Hence the trend among banks towards so-called "financial engineering." Amid the intense competition for business in overcrowded capital markets, it is this provision of sophisticated global services that banks are striving to achieve. Often, they make little or no profit on a deal, because they hope it will lead on to lucrative swap or other business.

CSFB says swaps have also altered the cycles of the capital markets themselves. Instead of being dependent on the financing needs of borrowers, new-issue volume is heavily influenced by swap-induced management of assets and liabilities.

"Effectively, the refinancing and arbitrage of past obligations occur on an ongoing basis. Furthermore, in today's environment, a single new underlying borrowing requirement can trigger an almost unlimited number of related transactions."

The risks that borrowers, intermediaries and investors take on through swaps have yet to be tested in a major default. Participants are exposed to market risk — the possibility that currency and/or interest rate movements could weaken the value of holdings — and to credit risk: the possibility that a swap counterparty will default. In the latter case, the holder of a swap will not be exposed to the full principal amount of the debt which has been swapped. But it will have replaced a swap, and this could be costly in some circumstances.

The guidelines drawn up by the regulators requires provision not only for current exposure — the potential replacement cost — but also for additional exposure which might result from future movements in interest and exchange rates.

Meanwhile, the market itself has been attempting to impose greater discipline on itself by drawing up standardised documentation.

Alexander Nicoll

International institutions

New men size up the developing economies

ONE OF them is a power-broker, a former New York state congressman who spent 20 years on Capitol Hill before being summoned, aged 63, to run a sprawling internationalist bureaucracy known as the World Bank.

The other is a suave Frenchman, a career civil servant who moved effortlessly into the highest ranks until his appointment, aged 53, as head of the multilateral lending agency known as the International Monetary Fund.

Mr Barber Conable and Mr Michel Camdessus have both just assumed their posts.

Despite their obvious differences in personality, nationality and culture, they share a common and awesome task: how to tackle the Third World debt problem and help the developing countries of Latin America, Africa and Asia to adjust their economies in a way that promotes substantial growth.

The task is not new, but it has taken on a fresh urgency since these two men have taken office. Brazil, the world's biggest debtor this year suspended repayments on $67bn of commercial bank loans, setting an unwelcome example to other debtor nations.

The impoverished sub-Saharan nations of Africa are buried in debt and devoid of hope. Overhanging these pressing problems is a widespread realisation that the "Baker Plan"—the global debt strategy set out by the US Treasury Secretary Mr James Baker—has run out of steam.

The IMF ought by rights to play a central role in a "Baker mark 2" debt strategy, which many believe will begin to unfold in the next few months. But, for the past two years, the IMF has faced growing charges that its lending policies are too austere, causing recession and social unrest in debtor countries such as Egypt, Brazil, Zambia and the Dominican Republic. The criticism comes down to one word, "conditionality."

The conditions under which the IMF lends money have always been controversial. In 1976, there was red-faced outrage among British politicians when the Labour government asked the IMF to bail the UK out of a balance-of-payments crisis and promptly received a list of requirements on economic reforms. It seemed, one Labour MP remarked, as if sovereignty had been snatched away by a bunch of foreigners.

Mr Camdessus will have to confront the conditionality issue in the near future, knowing that his five-year stint in office is unlike that prevailing under his predecessor, Mr Jacques de Larosiere, a fellow Frenchman whose austere nature and severe verbal style set the tone for the IMF throughout his two terms as managing director.

In 1981-82, for example, the atmosphere was one of crisis. Mexico, facing a mountain of debt, was on the brink of default, and for a time there was hysterical talk of an imminent collapse of the world banking system. Mr de Larosiere's great achievement—in restrospect—was to have kept a cool head and to have pulled lenders and borrowers alike back from the brink.

The challenge now is to devise a more durable programme for a different era. Serious though the debt crisis may be, nobody is suggesting that it resembles 1981-82. Brazil, for example, only slid into its current mess because the politicians embarked on a pre-election spending spee. The basic economy is sound.

Knowing this, the Brazilians have boycotted the fund and refused to implement the IMF adjustment programme. "It would have led to a [recession] and a confrontation with our people, which we could not accept," said the country's finance minister, Mr Dilson Funaro.

Mr Camdessus has yet to offer the world his public thoughts on the IMF's role as debt manager. But his officials are keen to promote the idea of a man with a flexible mind and outlook, with none of the arrogance that they now associate with Mr de Larosiere.

Debt aside, Mr Camdessus faces a number of other challenges that have assumed greater importance.

There is, for example, the US relationship with the IMF—a difficult one since, as dominant shareholder, it has always claimed a large say in the running of the institution. In an era when the IMF will have to lean harder on the US to adjust its policies (particularly on the trade and budget deficit) to global needs, relations are going to be more tricky than usual. The US is no longer the economic colossus it was in 1946 when the IMF was set up.

And yet it still likes to be heavily involved. Last month, the senior IMF official responsible for lending policies, Mr David Finch, resigned, protesting that the US was interfering with the conditionality of loans. He cited specifically Egypt and Zaire in Africa, both regarded by the Americans as strategically vital allies. The implication was that the US was putting pressure on the IMF to allow friendlier terms for borrowing to its friends. Mr Finch, an Australian due to retire shortly, refuses to elaborate.

At the World Bank, such allegations are even more sensitive because, by tradition, the post of president is offered to an American—though the present incumbent, Mr Barber Conable, was born in Warsaw back in 1922. When he was chosen last summer, there was unanimous praise in the American press, which was familiar with Mr Conable's skills and integrity on Capitol Hill. Nine months later, some are wondering how successful he has been in applying them downtown at the bank.

Same old problem, different heads: Mr Conable (left) and Mr Camdessus

It would be premature to pass judgment until he reveals his long-awaited plan to streamline the 6,500 staff at the Bank, the focal point of his energy thus far. If it is widely acclaimed, it would be the first real change for 20 years and could establish his reputation among staff who have grown demoralised and frustrated waiting for their own "structural adjustment programme."

There are, however, indicators that Mr Conable has found it difficult to make the transition from power-broker to powerful leader. His friendly style made an impression with African leaders during his recent tour, but his rather unassuming nature has not caught the imagination of pundits in Washington. Mr Robert McNamara, the former US defence secretary and World Bank president, invited by Mr Conable to join a steering committee looking at reform, has urged the former Congressman to expose himself more and take the political heat that goes with the job.

That runs the risk of alienating Mr Conable's most important patron, the US Treasury secretary, Mr Baker. Any remarks by Mr Conable outlining different positions on the debt strategy would be seen as undercutting the Baker Plan—which is why he gave a slavishly loyal speech last year, attacking an alternative plan put forward by the New Jersey Democrat senator, Mr Bill Bradley. "It was ill-advised," said one observer, "because it made it very difficult for Conable to be seen as his own man."

In multilateral, multinational agencies such as the IMF and the World Bank, that must count as an essential quality for the top job. In the coming months, both Mr Conable and Mr Camdessus will realise this.

Lionel Barber

The US

Suffering within a sound economy

"Today, only two of the 25 largest banks in the world are American, compared to 16 just 30 years ago. And since 1973, foreign banks have increased their share of the US commercial loan business from 8 per cent to nearly 22 per cent. With our national economy and global economic influence tied closely to our banking system, we think this is bad for the nation."—CHASE MANHATTAN CORPORATION ANNUAL REPORT, 1986.

CHASE MANHATTAN is one of the most famous names in the US banking industry, and is leading the "hawks" in the current debate about the future of the US banking industry which is in a state of flux, if not turmoil, as the major players try to map out their strategy for the next decade.

Chase, for example, has thrown the cat amongst the pigeons by threatening to give up its bank charter if the outdated laws limiting its business are not modified. It says that "the issue is not whether banking will continue in the United States, but rather whether banks like Chase will be permitted to participate."

While many of its rivals are more reserved in their comments, it is clear that Chase Manhattan has hit upon a sensitive nerve. The big US money-centre banks are chafing under the restrictions of outdated legislation like the Glass-Steagall Act, which limits the types of products and services they can offer; and there is considerable sympathy in certain quarters for their problems.

Indeed, Mr Gerald Corrigan, president of the Federal Reserve Bank of New York, devoted almost all of New York Fed's 1986 annual report to his proposals for sweeping reforms of a bank regulatory framework, which he calls "increasingly outdated and ill-equipped to meet the challenges of the day." Bank regulators in Washington are clearly worried that some of the bigger members of the banking community are suffering, because they are being prevented from adapting to the rapid changes now under way in the financial markets. This is undermining US banks' profitability and ability to raise capital to strengthen their balance sheets at a time when their business is becoming more risky in the eyes of some observers.

The US economy is well into its fifth year of expansion, but the US banking system is not in the best of health. BankAmerica, once the parent of the biggest bank in the world, lost money for the second year running in 1986 and passed its dividend. Most of the big Texas banks piled up big losses last year and 1987 has started with Mellon Bank, one of the proudest names in US banking, reporting its first ever quarterly loss and halving its dividend.

Sheshunoff & Co, a bank consulting firm based in Austin, Texas, has calculated that the 1986 earnings of America's 14,123 federally insured banks fell for the first time since 1961. The firm says that US bank earnings, before extraordinary items, fell by 2.55 per cent to $17.4bn in 1986, although total bank assets rose by 7.75 per cent to $2.9 trillion (million million).

US banks' non-performing loans rose by 10 per cent in 1986 to $48.2bn, or 2.73 per cent of the total, despite a 25.3 per cent rise in net charge-offs to $18.4bn. The number of banks that failed in 1986 totalled 145, compared with 118 the year before, and 78 in 1984. The combined assets of the failed banks rose one-and-a-half times to $7.7bn in 1986; and in states such as Alaska, Louisiana, Texas, Oklahoma and Montana the regulators are working overtime to bolster confidence in hard-pressed local banking communities.

Mr Alex Sheshunoff, the president of Sheshunoff & Co, says that "the industry's overall earnings decline is a result of deepening problems in agriculture, energy and commercial real estate, particularly west of the Mississippi river." The figures show that performance varied dramatically by regions, which helps explain why a relatively unknown group, such as Suntrust Banks, which is based in Florida and Georgia, comes to rank third in terms of stock market capitalisation.

Suntrust Banks was valued on Wall Street at $3.3bn in late March. This is larger than BankAmerica, Chemical or Bankers Trust, which is more than twice as big in terms of assets, and Chase Manhattan, which is nearly four times its size. Five years ago the top dozen US banks in terms of stock market capitalisation would include all of the famous US money-centre banks. Today, the same list includes PNC Financial, out of Pittsburgh; two North Carolina groups, First Union and First Wachovia; and Banc One from Columbus, Ohio.

"The New England states consistently ranked high in the various performance categories, while in many south-western states a meaningful recovery is not expected for another five to 10 years. The major problems for many US banks in the future will continue to be in the real estate sector. It is difficult for many banks to quantify their problems in this area due to the significant drop in real estate values," says the firm.

Several north-eastern states reported dramatic loan growth in 1986, reflecting buoyant local economies. Rhode Island's loan growth was 33.85 per cent, followed by Massachusetts (plus 31.49 per cent) and Connecticut (plus 30.49 per cent). "These rates of loan growth in the north-east equal or exceed those in the south west during the oil boom in the late 1970s and early 1980s," says Sheshunoff.

However, the firm warns that its analysis of loan growth and loan quality trends has clearly shown that loan growth levels similar to those in New England today are often followed by significant increases in loan losses during the next three to five years.

New York is the biggest single banking market, and experienced a 7 per cent growth in loans last year. By contrast, the next two biggest banking markets, California and Texas, experienced a drop of 0.5 per cent and 4.5 per cent respectively. Pennsylvania, Florida and Ohio all registered double-digit loan growth rates.

Despite these boom areas, Sheshunoff concludes that the overall industry's difficulties appear to be continuing in 1987. Brazil's decision to suspend interest payments on its long- and medium-term debt will have a significant industrywide earnings impact, particularly on the money centre banks.

It is against this rather gloomy background that the major players in the US banking industry are mapping out their long-term strategy. The rapid spread of the "securitisation" has eaten into the traditional markets of the big banks, and is transforming both their balance sheets and their approach to doing business.

Mr Dennis Weatherstone, the new president of J. P. Morgan, recently highlighted the transformation in the bank's business over the last four years. "Large corporations—our client base—have drastically reduced their reliance on direct bank financing. It is just as easy for the treasurer of a large creditworthy corporation today to raise funds by issuing commercial paper or bonds as it is for him to borrow the funds from a bank—and it is often less costly," says Mr Weatherstone. He draws attention to a chart in the bank's latest annual report, showing that financing by these firms directly through the capital markets exceeded their borrowing from banks by a margin of about six-to-one in 1986.

Morgan has adapted more successfully than many of its rivals to the rapid changes, and notes that its net loans are now less than half its assets, whilst its investment securities have increased from 10 per cent to 18 per cent of the group's total assets over the last four years. Morgan's trading account assets have nearly disappointed since 1982. Money centre banks, like J. P. Morgan, are very anxious that the US Congress moves quickly to relax the curbs on the various types of permitted commercial bank activities, and they regret the US Senate's recent decision to impose a moratorium on the expansion of banks' securities powers.

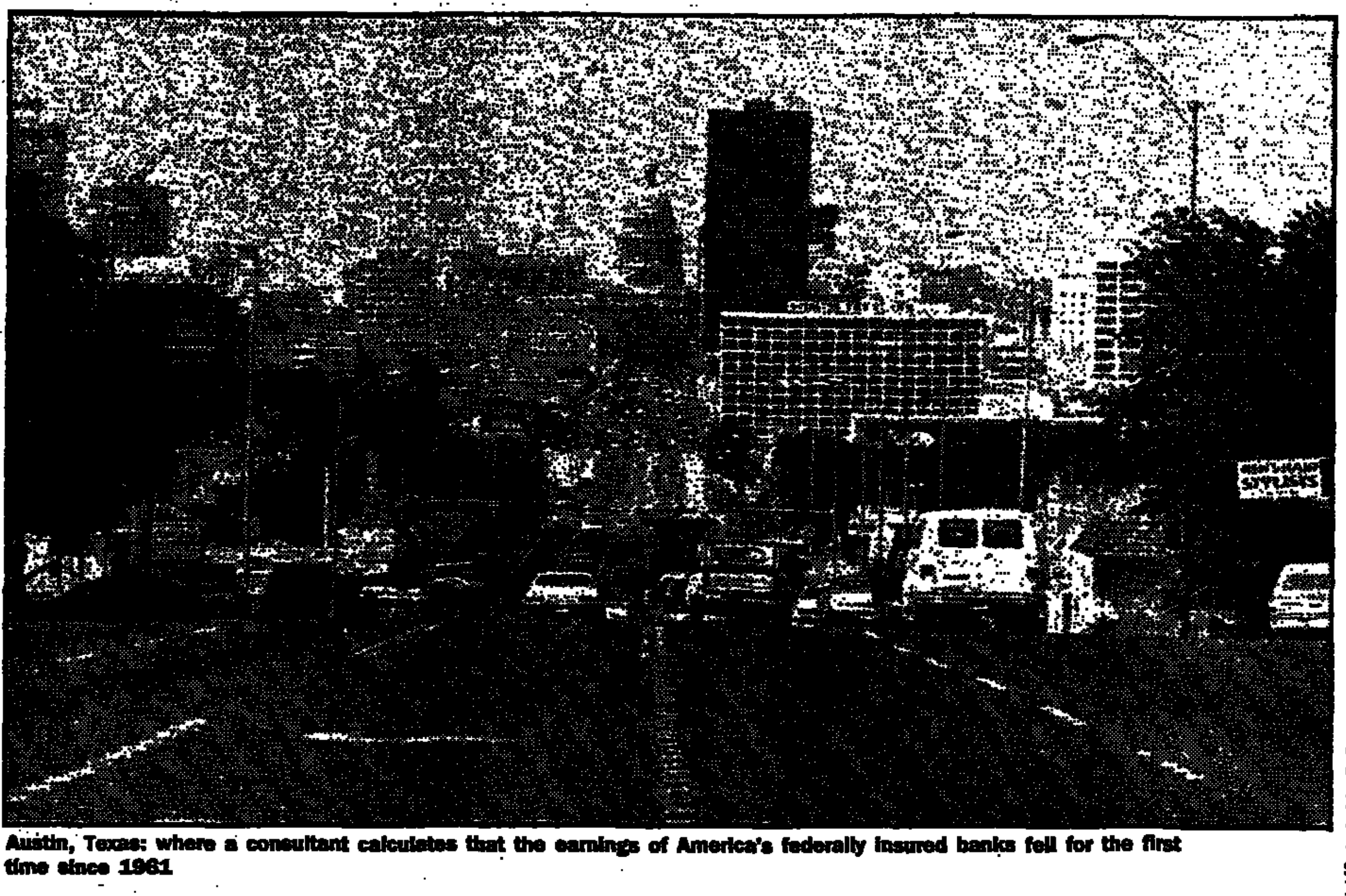
By contrast, the regional banks are less concerned about the sluggish pace of banking reform, and have been involved in a rapid series of mergers which has created a new breed of US bank, known as a "super-regional." This consists increasingly of combinations of banks from more than one state. In March, for example, Fleet Financial and Norstar, two of the fastest-growing US regional banks, announced a $1.3bn merger—the biggest combination in US banking history.

Last year saw Suntrust banks pay $758m for Third National in order to get a foothold in Tennessee. First Union paid $688m for First Railroad & Banking, of Georgia; and Midland Bank sold Crocker National to Wells Fargo for $1bn. New Jersey's Midlantic Banks paid $672m for Continental Bancorp, of Pennsylvania, and PNC Financial paid $630m for Citizens Fidelity, of Kentucky.

For the most part, the takeover scene has been dominated by the regional banks; but some of the bigger US banks are beginning to flex their muscles. New York's Chemical Bank is the most notable. It has agreed the $465m takeover of Horizon Bancorp, which will enable it to move into the neighbouring state of New Jersey, and has established an important beachhead in Texas by agreeing to buy Texas Commerce Bancshares for $1.2bn.

The mergers and acquisitions in the US banking community are expected to continue at a fairly rapid rate over the next few years, as banks try to position themselves to take advantage of the changing marketplace. Indeed, if the current pace continues, it is likely that within the next five to 10 years the population of the US banking map will be very different from today.

William Hall



Austin, Texas: where a consultant calculates that the earnings of America's federally insured banks fell for the first time since 1961

US	1982	1983	1984	1985	1986
Currency: Dollar $					
Real GDP Growth (% from prev yr)	-2.0	3.6	6.4	2.7	2.5
Inflation (%)	6.1	3.2	4.3	3.6	1.9
Current Account Balance (US$bn)	-9.1	-46.6	-106.5	-117.7	-140.6
Trade Weighted Index (1971=100)	127	145	161	178	168
Real Trade Weigh Ind (1971=100)	105	110	112	114	100

CANADA	1982	1983	1984	1985	1986
Currency: Canadian $					
Real GDP Growth (% from prev yr)	-3.3	3.1	5.5	4.0	3.1
Inflation (%)	10.8	5.9	4.3	4.0	4.2
Current Account Balance (US$m)	2,303	2,388	2,514	-432	-6,400
Exch. Rate: Canadian $ per US$	1.23	1.23	1.29	1.36	1.38
Trade Weighted Index (1971=100)	85	88	86	83	79
Real Trade Weight Ind (1971=100)	90	93	91	89	88

How the top US banks fared in 1986 ($m)

	Assets ($ bn)	% change on year	1986 net income (loss)	1985 net income (loss)	1986 provision for loan losses	86 non-performing loans	As % of total loan	1986 ROE return on equity	1986 ROA return on assets	Primary of capital ratio
Citicorp	196.1	+13	1058.0	998.0	1825.0	2554.0	2.0	13.8	0.58	6.82
Bankamerica	104.2	−12	(518.0)	(337.0)	2004.0	4316.0	5.84	(16.28)	(0.45)	6.92
Chase Manhattan	94.8	+8.1	585.0	565.0	595.0	1900.0	2.9	13.2	0.65	6.95
J. P Morgan	76.0	+9.6	872.5	705.4	265.0	633.0	1.8	18.98	1.19	8.31
Manufacturers Hanover	74.4	−2.7	377.2	407.5	858.9	2140.0	3.79	12.08	0.54	7.16
Security Pacific	62.6	+17	385.9	322.8	502.9	1198.0	2.7	15.5	0.71	6.69
Chemical New York	60.6	+6.3	402.4	390.2	439.3	1350.0	3.43	14.22	0.70	7.20
Bankers Trust	56.4	+11.5	427.9	371.2	306.0	879.0	3.0	16.30	0.79	6.51
First Interstate	55.4	+13.1	337.9	313.1	475.1	*1373.0	3.98	12.95	0.68	6.14
Wells Fargo	44.6	+51	273.5	190.0	361.7	970.7	2.6	14.81	0.73	7.85
First Chicago	39.1	+1	276.2	169.0	440.0	859.0	3.4	13.32	0.71	8.34
Mellon Bank	34.5	+3.3	183.3	201.7	315.7	928.0	3.94	9.9	0.50	7.23
Bank of Boston	34.0	+20.1	232.8	173.8	195.0	*614.2	*2.5	16.18	0.78	6.78
Continental Illinois	32.8	+7.5	165.2	150.5	105.0	634.0	3.07	8.45	0.59	7.50
First Bank System	28.0	+9.9	202.9	166.8	507.0	*514.1	3.42	16.0	0.76	7.1
NCNB	27.5	+38.9	198.8	164.4	104.5	*183.0	1.16	16.31	0.84	6.46
First Union	26.8	+33.3	274.3	214.0	94.7	159.0	1.13	18.39	1.21	7.07
Suntrust Banks	26.2	+7	245.1	216.4	151.9	*140.3	0.83	16.76	1.03	†7.47
Marine Midland	24.8	+10.7	145.0	125.0	152.4	438.9	2.35	12.05	0.65	7.31
Irving Bank	24.2	+11.9	128.1	116.0	119.6	269.0	1.92	13.24	0.60	6.3

* Assets. † Incl. value of Coca Cola stock.

Research: Rivka Nachoma

Mr Tom Clausen: hastening the turnaround

Profile/A. W. ("Tom") Clausen

Return of the 'snapping turtle'

THE NEWS that Alden Winship "Tom" Clausen was being recalled from retirement last October to take over the helm of BankAmerica Corporation, the troubled parent of the second biggest US bank, has not met with uniform praise in the financial community.

Mr Clausen, the son of Norwegian immigrants, first joined the bank in 1949, after receiving a law degree from the University *of Minnesota, and is credited* with having put the bank on the international map.

He took over as president in 1970, and presided over one of the most profitable and fastest-growing periods in the history of *the bank since Mr A. P. Giannini*, his legendary predecessor, founded the tiny Bank of Italy in San Fransisco on October 17 1904.

Under Mr Clausen's leadership BankAmerica's assets more than quadrupled, the group achieved a string of unbroken earnings increases, and he was hailed by some as "the most successful banker of the seventies."

When he left to take over the presidency of the World Bank in 1981, he handed over to Mr Sam Armacost, his handpicked successor, a group that was earning $646m on assets of $111.7bn, was paying an annual dividend of $1.41 per share, and had a book value of $26.12 per share.

Mr Clausen's departure marked the highpoint in the group's fortunes, and since then things have been going from bad to worse as rising loan losses, a rapid turnover of senior staff and low morale have sapped the self-confidence of a group which once boasted that it was the biggest and most profitable bank in the world.

In 1985 it lost $337m, and last year it lost another $518m and omitted its dividend. Its assets have shrunk to $104bn and book value per share has fallen to $21.49. To keep afloat, it has been busily selling off many of its most profitable assets.

Just over a year ago, the corporate predators started to sniff "blood in the water" after Mr Sandy Weill, the former president of American Express, had offered to raise $1bn of new capital for the bank in return for being given the job of chief executive. This injected a spark of life into a share price which, under Mr Clausen's reign, had hit a peak of over $30. BankAmerica shares jumped to $18½ but, after the offer had been rebuffed, they resumed their slide downhill.

Six months later another predator appeared on the scene, in the form of First Interstate Bancorporation of Los Angeles, which offered to buy the group for $18 a share. This finally shook BankAmerica's ageing board of directors into action.

Out went Mr Sam Armacost, and in came Mr Clausen who had *retired from the World* Bank last June. The choice surprised some observers, who had argued that many of BankAmerica's problems stemmed from its heady expansion into the international arena, under Mr *Clausen*.

Mr Gary Hector, a magazine writer, who is putting together a book about Bank of America, has described the 64-year-old Clausen as "a gray, humourless figure" who, as a manager, "*can be harsh, sometimes* tyrannical, displaying all the warmth of a snapping turtle."

Mr Clausen has pledged to keep BankAmerica independent, and the First Interstate offer was rejected, as was a subsequent offer of around $22 per share; and since then BankAmerica's share price has sunk back to around $12 a share.

Mr Clausen says that his objective is to "hasten the turnaround of the corporation, to return it to sustained profitability, to build its capital and restore a dividend to common shareholders." To this end, it has accelerated its asset sales, and in recent months has got rid of such crown jewels as the Charles Schwab discount brokerage operation and Banca d'America e d'Italia, and is trimming its overheads.

The company is working on plans to raise $1bn of new capital. It has reshuffled its senior management yet again and begun strengthening its board of directors, which has not had an infusion of new blood for several years.

Mr Clausen says that the group should be profitable in 1987, but he cannot promise a restoration of the dividend this year. He is confident that the corner has been turned. However, Wall Street has still to be convinced.

Since Mr Clausen took over in October, the BankAmerica share price has fallen by around $3 and was trading at $12 just before Easter, while the stock market had risen by more than 25 per cent. When BankAmerica's shareholders meet later this month at the Masonic Memorial Temple in San Francisco, they are likely to be firing some tough questions at Mr Clausen.

If the BankAmerica share price does not begin to recover soon, another predator could emerge, and Mr Clausen may not have such an easy time keeping his bank independent.

William Hall

Canada

Home players get a start in the ' big bang '

LESS THAN TWO years after Canada's worst banking crisis this century the financial community is bracing itself for the uncertainties of deregulation.

Canada's big bang, due on June 3, will allow banks for the first time to enter the business of trading and underwriting corporate securities. Domestic banks have a head start as foreign-owned institutions will be limited to a 50 per cent stake in securities subsidiaries until mid-1988.

In a second stage of deregulaton, unlikely to take effect before next year, banks may be allowed to diversify into fiduciary services, such as estate administration and portfolio management.

Many details of the reforms have yet to be worked out by the federal and provincial authorities which share the supervision of financial institutions. Disputes between the two levels of government may hold up the necessary legislation.

The big bang should redress most of the banks' complaints of unfair discrimination. In future they are likely to be put on an equal regulatory footing with the trust companies and emerging financial conglomerates which have made most of the running in Canada's financial markets in recent years.

The bank's remaining complaints are requirements that only they must maintain interest-free deposits with the Bank of Canada, and remaining curbs on accounting and other data processing services which they can provide to customers.

The fruits of this deregulation will be enjoyed by fewer banks than would have been the case two years ago. The failure of two small Alberta institutions in September 1985 triggered a crisis that led to the disappearance of six of Canada's 14 domestically-owned banks.

Those upheavals have, however, strengthened the position of the survivors, and of at least two foreign institutions. Britain's Lloyds Bank became the biggest foreign bank in Canada last November when it rescued Continental Bank of Canada, one of the small and medium-sized groups which were hit by a run on deposits as investors rushed to put security ahead of returns. Lloyds Bank Canada, based in Toronto, now has assets of C$5.2bn and 55 branches.

Hongkong and Shanghai Banking Corp has also taken control of the floundering Bank of British Columbia. Its Vancouver-based subsidiary, Hongkong Bank of Canada, now has assets of C$3.6bn.

Canada's "Big Six"

Three months ended January 31 1987 (1986 figures in brackets)

	Net income (C$m)	Annualised return on assets (%)	Loan loss provisions (C$m)
Royal Bank of Canada	114.1 (140.4)	0.45 (0.58)	223.0 (187.0)
Bank of Montreal	102.1 (98.3)	0.47 (0.47)	120.0 (114.1)
Canadian Imperial Bank of Commerce	96.5 (87.0)	0.46 (0.44)	172.0 (152.0)
Bank of Nova Scotia	88.7 (73.8)	0.54 (0.48)	114.9 (100.9)
Toronto-Dominion Bank	128.0 (95.1)	0.96 (0.73)	94.9 (85.2)
National Bank of Canada	49.8 (45.3)	0.71 (0.71)	52.3 (47.2)

Source: Canadian Bankers Association

As an era of greater freedom approaches, rumours are flying about the intentions of the six big Canadian banks: Royal Bank of Canada, Bank of Montreal, Canadian Imperial Bank of Commerce, Bank of Nova Scotia, Toronto-Dominion Bank and National Bank of Canada. Lessons learned from recent experience in London, the high prices demanded by potential *takeover targets in the Toronto* securities industry, and the danger of a clash between banking and trading cultures have combined to favour a more cautious approach than many outsiders had expected.

Toronto-Dominion has found a cheap route of entry into the securities business by buying seats on the Toronto and Montreal stock exchanges. It has indicated that it prefers to build up its own business rather than *buy an existing one. Similarly,* Bank of Nova Scotia has formed a small securities firm.

Those banks, which might make major acquisitions are making careful assessments. Now is an especially bad time for the banks to make expensive mistakes as the outlook for Canadian bank profits is uncertain.

Bank profits have been buoyed in the past few years by falling domestic interest rates and booming consumer loan and mortgage business. Their average interest rate spread has widened to 3.4 per cent in the three months ended January 31, from less than 3 per cent in 1982. The rate of return on domestic assets has risen during the same period from 0.32 per cent to 0.59 per cent.

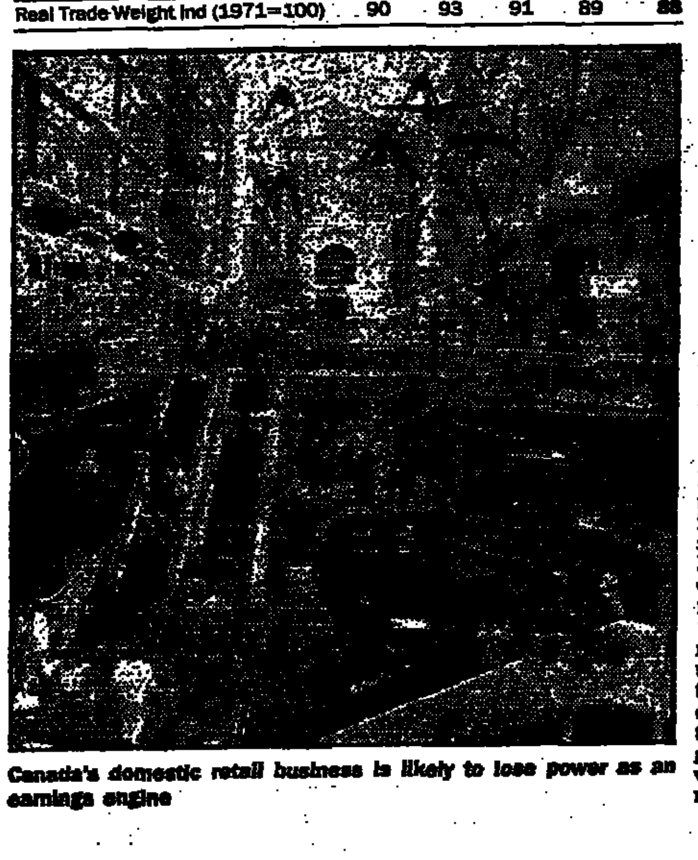
But with interest rates now near (if not past) their bottom and the growth of the Canadian economy slowing, domestic retail business is unlikely to be as powerful an earnings engine as it has been. The banks are also burdened by loans to troubled Canadian energy and other resource producers. On the international front, they have the problem of their third world loans and intense competition in capital markets. An exposure of C$7.1bn (equal to 1.7 per cent *of total assets) makes Canadian* banks the fourth largest group of creditors to Brazil, for instance.

The Inspector-General of Banks in Ottawa has asked banks to raise their reserves on loans to a group of 34 troubled sovereign debtors within the next two and a half years to 20 per cent of their exposure in October 1986 or 18 per cent of the October 1989 level. The extra provisions are expected to cost the banks roughly C$2bn.

Royal Bank of Canada recently produced a sober reminder of the difficult environment in which the banks find themselves. Its net income slid by 23 per cent in the three months to January 31. RBC earned a paltry 0.14 per cent on its international assets during the quarter, down from 0.49 per cent a year earlier. Loan loss provisions (which are *charged to income on the basis* of a five-year moving average) have risen by 19 per cent in the past year. Return on shareholders equity slipped from 14.5 per cent to 10 per cent.

Investors appear to be concerned that such disappointments will be repeated by other banks. By mid-April bank shares on the Toronto stock exchange had fallen by more than 8 per cent from the peaks *reached in February.*

Bernard Simon



Canada's domestic retail business is likely to lose power as an earnings engine

Liberalised and on the move

Japan

Pressures grow with success

JAPAN'S BANKS have suddenly become the world's largest, and also the world's biggest lenders, thanks to the rapid rise in the value of the yen in the past 18 months.

They accounted for nearly a third of the international assets of banks reporting to the Bank for International Settlements by the third quarter of last year. This put them far ahead of the US banks, which now have a less than 20 per cent share.

On the basis of deposits, Japan's four largest banks, Dai-ichi Kangyo, Fuji, Sumitomo and Mitsubishi, are now the world's four largest as well. The top Japanese banks now have significant shares in the world's main markets. According to one recent estimate, Japanese banks hold more than 8 per cent of all commercial loans in the US. They control five of the 11 top banks in California alone.

This fast global expansion has brought with it many benefits and opportunities, but also lots of problems. Japanese banks are among those most heavily exposed to developing-country loans, for example. They have also been criticised for using their highly profitable and hitherto secure Japanese operations as a base for "dumping" loans in foreign markets. Some have had difficulties with foreign acquisitions.

In addition, the Japanese authorities are in the process of liberalising the country's tightly controlled financial industry, a process that could lead to a large-scale shakeout in the crowded banking sector.

Liberalisation has been under way for some time, but the really significant moves are yet to come. This year will see the opening up of the corporate and bond market and the authorisation of a commercial paper market. Both moves will probably intensify the trend of corporate borrowers to use securities rather than bank lending for their financing needs.

The removal of controls on interest rates on small deposits is somewhat further away, because of the necessity of achieving agreement on it between the Ministry of Finance and the Ministry of Posts and Telecommunications, which runs the huge postal savings system.

However, pressure for liberalisation is increasing, notably from abroad. Foreign governments and banks object to Japanese banks using their low cost deposit base at home to finance their aggressive drives for market share abroad.

The most difficult liberalisation step, though, will be the removal of the present arbitrary divisions between banks, and between banks and securities companies. Most Japanese banks are not very profitable, so when the protection they now enjoy in their various market segments—trust banking, regional banking, long term lending, short term lending—is removed, there could be some casualties.

Many smaller regional and sogo (savings) banks may have to seek refuge in a merger with one or more similar institutions, predicts Mr Brian Waterhouse, an analyst with stockbrokers James Capel in Tokyo. Many analysts had expected the dismantling of barriers between various types of banks and between banks and securities companies to take several years. But pressures for more rapid change are building from many quarters. For example, the Japanese authorities want to develop futures markets in Tokyo but all proposals run into the problem of which institutions should be allowed to trade which futures.

The granting of Japanese securities licences to affiliates of US banks, including Morgan Guaranty, Bankers Trust and Chemical Bank, expected shortly, will make it much more difficult for the authorities to resist similar demands from Japanese banks.

Currency: Yen	1982	1983	1984	1985	1986
Real GDP Growth (% from prev yr)	2.8	3.2	5.0	4.5	2.5
Inflation (%)	2.7	1.9	2.3	2.0	0.6
Current Account Balance (US$bn)	6.9	20.8	35.0	49.2	86.0
Exchange Rate: Yen per US$	249	237	238	239	169
Trade Weighted Index (1971=100)	134	150	160	171	238
Real Trade Weight Ind (1971=100)	100	104	105	107	134

Meanwhile, the banks are under growing pressure to improve their capital ratios. Currently, their capital is, on average, less than 3 per cent of their total assets, compared with the US requirement of 5.5 per cent.

The US and UK banking authorities have become increasingly concerned about the stability of the world banking system, notably because of the growing problem of developing country debts, and are pressing for international agreement on adequate capital ratios for banks.

The Japanese authorities share this concern, not least because Japanese banks have become major lenders to developing countries. Ministry of Finance officials estimate the total lending by Japanese banks to developing countries at $60bn. The exposure of at least three banks exceeds their total equity, according to Mikuni & Co, a Tokyo bond rating agency, although the rise of the yen's value has eased the problem somewhat in the past year.

The Japanese authorities have demanded that the banks get their capital ratios up to 4 per cent by 1990, but are allowing them to include 70 per cent of the market value of their securities portfolios in the computation. The US and UK authorities believe that these should not be considered as part of capital.

Ian Rodger

Profile/Mitsubishi Bank

Aspiring to be universal

MITSUBISHI BANK surprised people last summer as it turned to western-style mid-career personnel recruitment, breaking a century-old tradition of life-time employment.

The bank, among the most conservative in the industry, was in the forefront of the moves to recruit English-speaking financial experts. Mitsubishi's new president, Mr Kazuo Ibuki, said: "We are intent on hiring 100 people, aged up to 35, who can put their abilities to work immediately in our international and securities departments . . . We hope to reinvigorate the organisation by introducing new blood."

Mitsubishi Bank then embarked on a thorough-going reform of its corporate structure, effected last October. The high point of the reform was the establishment of two new divisions—the Capital Markets Group and the Merchant Banking Group.

Article 65 of the Securities Transaction Law limits the scope of banks to engage in securities business, and Mitsubishi is the first Japanese bank to call the new division outright "capital markets." It has conveyed the future possibility that banks will be allowed to engage in domestic securities business.

Meanwhile, its merchant banking group deals with intermediary business of mergers and acquisitions, project finance, and other advisory services. "The bank's ultimate aim is deployment of universal banking business, by combining the function of conventional commercial banking, such as deposits, lending and foreign exchange, with new functions of US investment banking," said the chief manager of the international planning division, Mr Yasumasa Gomi.

Mitsubishi is the fourth largest city bank in Japan, and the fourth largest in the world in terms of deposits, known for its good financial standing. Its unrealised value of holding securities was Y2,695bn at September 30, the second highest among Japanese banks. From being a commercial bank catering mainly to the needs of companies associated with the Mitsubishi Group, it has become a major player with powerful capabilities in every aspect of finance.

Currently, its loans to group companies account for only 5 per cent of the total loan balance, while loans to small and medium-sized enterprises reached 50 per cent. Mitsubishi Bank has been a pioneer in a number of developments and has many "firsts". It was the first to install on-line real-time cash dispensers, in 1971. It was the first Japanese bank to float overseas convertible bonds (US$100m in July 1985) and was the first city bank to introduce a hybrid saving account.

The bank has more than 80,000 corporate customers. It has placed stress on being able to provide advice and information tailored to each corporation, on direct overseas investment, mergers and acquisitions, joint ventures and business tie-ups.

Its Project Development and Finance Division provides support for Japanese corporations' investment overseas in fund raising, on procedures for establishing new companies and in choosing sites for new plants and offices. An example was its advice on financing for the construction of Mitsubishi Motors' car manfacturing plant in Illinois, US, in a joint venture with Chrysler last year.

Mitsubishi Bank, once said to be conservative in international operations, has lately taken a bold turn in its overseas operations, with its acquisition of the Bank of California for $282m in 1984. BanCal's strong trust business also gives the bank a foothold in a new area, and was important in setting up a new subsidiary, the Mitsubishi Bank Trust Company of New York (MBTCNY).

MBTCNY engages in pension fund management for Japanese companies' overseas subsidiaries and offers advice on investment by Japanese corporations in overseas securities. Thus the bank has established an unrivalled position in investment, advisory and custodian services.

To strengthen domestic investment advisory services, it established Diamond Asset Management (DAM) jointly with Fidelity Japan. In January 1987, the bank purchased the business rights, from Citibank, of the Hong Kong-based Mercantile Bank, which had a multi-branch banking licence. This allows Mitsubishi Bank a significant step forward in developing a strong retail banking base in Hong Kong.

Last year, the bank acted as a lead manager for 99 syndicated loans, totalling $5,268m, and was ranked first in the league of Japanese banks and eighth in the world in value terms. Its fully-owned merchant banking subsidiary in London, Mitsubishi Finance International Limited (MFIL), has been very active, serving as lead manager and acting as book runner for many Eurodollar bonds. MFIL also served as lead manager of many Euroyen bond issues, including the bond issued by 3M of the US.

In the newly-established Capital Markets Group, the bank picks up infant companies and helps them to list their shares on the stock market or over-the-counter market. After the listing, the companies are expected to provide business opportunities with the bank, including depositing and foreign exchange transactions.

Although, in the domestic market, the banks' securities operations are currently limited, due to regulations on full dealing in public bonds and acting as a commissioned bank for corporate bonds, Mitsubishi Bank is strengthening its link with the securities affiliate Ryoko Securities, by doubling its capital to Y2bn. And it plans to increase the number of staff dispatched from the bank from current 25 to 75 over the next three years. The bank plans to list its securities affiliate on the Tokyo Stock Exchange in two to three years' time.

Yoko Shibata

Mr Kazuo Ibuki: hiring new blood

Hong Kong

Sisters raise their share of deposits

MR TONY NICOLLE, who arrives in Hong Kong shortly, after being seconded from the Bank of England to become the territory's banking commissioner, can be fairly confident that he will not have the roller-coaster ride of his predecessor.

If current signals provide a reliable guide, his main tasks will be: to introduce minimum capital standards, after reference to current studies by the Federal Reserve Board in the US and the Bank of England; to ensure that Hong Kong's banking industry adjusts effectively to developments in off-shore banking worldwide; and to redefine boundaries between the securities and banking industries as business in the two sectors increasingly overlaps.

It will be dull stuff by comparison with the bank rescues and refinancings that, over the past three years, have flushed so much adrenalin through Mr Robert Fell, who has been at the helm of the commission since 1984. A diplomat to the end, Mr Fell would no doubt say the job of his successor is likely to be less dramatic, but no less important.

Mr Robert Fell: some basic thinking is needed — Terry Kirk

Mr Nicolle is also likely to have to create closer links with mainland China's banking authorities — not just because of the transfer of sovereignty in Hong Kong in 1997, but because of the hectic growth of the Bank of China group — which consists of a total of 15 banks — in the recent past.

The growing importance of the "sister banks" that make up the Bank of China group was, for the first time, clearly measured in the recent annual report of the banking commissioner — the first such report, and a direct product of various moves to improve supervision of the banking industry. This came in the wake of crises involving the collapse and rescue of seven banks, and examples of alleged fraud by bank directors, many of which have yet to come to court.

Mr Fell revealed in that report that the "sister banks" had, at the end of 1986, an 18.1 per cent share of all bank deposits in the territory — amounting to HK$102bn. This marked a 51 per cent increase over the year, from HK$67bn at the end of 1985. Market share of deposits had grown by 3.1 per cent.

By comparison, the historically dominant Hongkong Bank Group — which consists of the Hongkong and Shanghai Banking Corporation and the Hang Seng Bank — has seen its market share trimmed from about 32 per cent to about 28 per cent, despite a 42 per cent growth in deposits to an estimated HK$178bn at the end of 1986.

Part of the Bank of China's Group's growth has come through acquisition of two of the seven banks that have floundered in Hong Kong over the past four years — Ka Wah Bank, taken over by the China International Trust and Investment Corporation (Citic); and the Union Bank, taken under the wing of China Merchants Steam Navigation, the Hong Kong arm of Peking's ministry of communications.

While Peking officials insist the purchases were pressed ahead on purely commercial grounds, there are few doubts that one important motivating factor was the need to maintain confidence in Hong Kong as an international financial centre. Few would have had more to lose than the Chinese if the scandals and crises that followed the collapses of Ang Lung and the Overseas Trust Bank had been allowed to undermine faith in the larger banking community.

Apart from growth by acquisition, China's banks — which were more or less moribund until a decade ago — have competed aggressively for a larger share of the local loan market — especially for mortgage finance.

This has caused alarm among Hong Kong's smaller locally-incorporated banks, which look to mortgages as the bread-and-butter that enables them to survive in the face of stiffening international competition. The saving grace has been a healthy growth in demand for mortgages and personal loans over the past year, fuelled by rising real wages, a powerful export boom, a recovery in the property market after a four-year slump, and interest rates at record low levels.

While 1986 was a watershed year for the activities of the Bank of China Group, it also marked a watershed for Japan, which accounted for the largest single banking contingent after winning five of the 10 banking licences granted over the year. With the Bank of Fukuoka joining Japan's banking ranks only weeks ago, there are now 28 Japanese banks in Hong Kong, compared with 22 from the US. The growth is more a measure of Japan's increasing strength in the world's financial markets than of deeper penetration of Hong Kong's domestic banking market, since newly licensed banks are restricted to one branch only.

Other international banks operating in Hong Kong continue to report severe competition for domestic banking business — a factor which has prompted several to trim down their operations. Most prominent of these has been the Bank of America, which, over the course of last year, shifted much of its regional banking operation to Tokyo.

While domestic banking operations have remained fiercely competitive, Hong Kong's banking industry as a whole has managed rapid and sustained growth over the decade. Total bank assets stood at HK$435bn in 1980, but at the end of 1986 had risen to HK$215bn.

There continues to be talk of a shift by leading banks away from Hong Kong into Tokyo — and the Bank of America provides a clear single example — but most bankers argue that liberalisation inside Japan is coming at such a cautious pace that Hong Kong is not likely to be affected for a considerable time to come.

Mr Fell reflects an optimism that is not uncommon when he notes in his annual report: "We must encourage more basic thinking about Hong Kong's development, and its best role on the world scene. It is not a matter of having to do this or that by a particular year. Whatever year you choose, there is only a problem if we fail to see which way the world is changing in time to mould that change to our advantage."

This is perhaps easier said than done — and Mr Fell has been so preoccupied with disaster containment, that he has had little time to dedicate to moulding such changes. It is a job that will nevertheless fall squarely on the shoulders of Mr Nicolle, and how he deals with it may well be the most important single measure of his success as a banking commissioner.

David Dodwell

HONG KONG

Currency: HK$	1982	1983	1984	1985	1986
Real GDP Growth (% from prev yr)	2.9	5.1	9.6	0.8	8.7
Inflation (%)	10.6	9.9	8.5	3.4	3.1
Current Account Balance (US$m)	nil	−400	1,700	2,200	1,800
Exchange Rate: HK$ per US$	6.07	7.27	7.80	7.78	7.80
Trade Weighted Index (1971=100)	90	78	75	78	68
Real Trade Weight Ind (1971=100)	97	90	91	96	91

SINGAPORE

Currency: Singapore $	1982	1983	1984	1985	1986
Real GDP Growth (% from prev yr)	6.3	7.9	9.0	−1.7	1.9
Inflation (%)	3.9	1.2	2.6	0.5	−1.4
Current Account Balance (US$m)	−1,206	−819	−727	−253	−500
Exchange Rate: S$ per US$	2.14	2.11	2.13	2.20	2.18
Trade Weighted Index (1971=100)	126	131	135	135	125
Real Trade Weight Ind (1971=100)	126	123	121	118	98

Volume has surged on the Singapore stock exchange

Singapore

Ready for the world game

BANKING IN Singapore will get a fillip in 1987. Last year financial services, hampered by problem loans, sluggish property market conditions and weaker regional economies, did not figure in the economy's lop-sided recovery.

A more broad-based recovery should now invigorate commerce, finance and business services, starting with an improvement in the regional outlook.

Significant developments in the securities industry, in the form of passage of the amended Securities Industry Act and a new second-tier market, Sesdaq, have prepared Singapore to meet the challenge of increased globalisation of securities trading and financial de-regulation.

Analysts point to the reduction of bad-debt provisions as companies' fortunes recover. The Big Four banks' second-half 1986 results signal the return to profitability. Little Overseas Union Bank managed a S$7m net profit after writing off HK$100m for a fraud at its Hong Kong branch, and is projected to return to the $40m level.

Even doubts over the recoverability of US$210m lent by 33 banks based in Singapore to the scandal-ridden National Bank of Brunei have failed to dent the growing confidence.

It may, of course, have something to do with the fact that local banks' loan exposure was significantly lower than foreign banks such as Standard Chartered and American Express.

Also, with limited growth expected in credit risk, more are switching from term lending to stockbroking and fee-based activities.

In return for underwriting the S$180m lifeboat fund, to bail out troubled stockbroking firms suffering from the Pan-Electric-related forward contracts, the Big Four local banks were granted stockbroking licences in early 1986.

With corporatisation approved, eight foreign firms will be allowed up to 70 per cent of a local firm's equity. Three, including the Kuwaiti Investment Office and Hoare Govett, are already approved, while candidates from the UK, US and Australia anxiously queue for the vacancies. For a better representation of the major players, applications from Japanese companies, representing the evergrowing interest by Japanese investors, would doubtless be looked upon favourably.

Treasury operations have been growing steadily but the past year's pace has quickened considerably. The Asia dollar market has expanded at a compound rate of 63 per cent since 1968.

The latest Budget incentives furthered the economic committee's recommendations to improve Singapore's attractiveness as a financial centre.

Exemption was granted from withholding tax on interest paid to non-residents on margin deposits on futures contracts, and interest paid by Simex members on loco-London gold transactions.

The tax changes put Singapore on a par with other exchanges. Simex is introducing options futures, and several more contracts are in the offing. Its volume has surged rather nicely with a boost from the Nikkei Stock Index contract to record levels.

However some bankers consider the concessions to Asian Currency Units (Acus) insufficient to attract fund management business away from archrival Hong Kong.

To this end, the Monetary Authority of Singapore's April survey, to assess the amount made in managing foreign exchange and securities in the city — state, is viewed as an attempt to gauge the profitability of risk management locally against that of other financial centres.

The central bank had approved 23 fund managers, but only a few are believed to have sizeable portfolios. While the MAS said it was looking for more complete data about the risk management industry, a merchant banker speculated that the authority was also curious about the lack of genuine market markers in securities and foreign exchange.

Joyce Quek

South Korea

Still a long way behind

WHEN South Korea's most senior banking official was recently asked how long it would be before the country's banking system would operate by normal world criteria, he replied: "Ten to 15 years."

In contrast with a booming economy, a thriving industrial sector and a rapidly growing stock market, South Korea's banking sector remains weak and underdeveloped, and subject to firm government control.

Commercial banks, which until 1982 were partly owned by, and are still strongly influenced by, the Government, have non-performing loans estimated at $5bn on their books, compared with deposits of $43.5bn.

The debts have resulted from the Government's approach to the economy over the past few years. Emphasising investment and exports, the Government controlled the banks' lending policy, telling them where to lend and on what terms.

Not all the debts thus incurred over the years have been repaid, but the banks have no recourse to the law for satisfaction. Most recently, the burden has increased because of failures in the construction and shipping industries, especially since the decline in orders from and non-payment of debts by Middle East countries.

Lending by the five local commercial banks increased by 12.3 per cent in 1986, but interest income rose by only 3 per cent. The banks do not make provision for the bad debts, so official net profit figures for 1986 showed a rise of 13.7 per cent over the previous year to W44bn.

The result of the Government's policy of rationalising loss-making industries and leaving the debts on the books of the banks has been the development of a weak financial sector, say bankers. The weakness has begun to create concern as South Korea's export performance and growing sophistication in other areas excites international attention.

The banking system contains seven national commercial banks, 10 regional banks, 52 foreign banks and six government-owned specialised banks. In addition, there are three development institutions—Korea Development Bank, the Export Import Bank and the Long Term Credit Bank.

Six merchant banks, all joint ventures with foreign partners, have been set up, and there are 191 mutual savings companies and 32 investment companies. These institutions account for almost 75 per cent of the funds available on the market.

The Foreign Bankers' Group in Seoul recently prepared a proposal for the upgrading of the banking environment in South Korea, which is under study by officials at the Ministry of Finance.

The report identifies the main difficulty for banks in the country as funding in local currency, because of the shortage of liquidity in the market. The market is old-fashioned, without electronic systems, and suffers from widely fluctuating interest rates which do not move freely.

The foreign bankers believe that the introduction of a fully developed money market in South Korea would allow more efficient use of domestic liquidity and give the central bank a more efficient mechanism to regulate government monetary policy.

At present the market exists mainly as a method of raising funds from investors, with little trading or arbitrage activity. There are no futures markets, effectively no interbank market, and no foreign exchange market, as the won is not a convertible currency and cannot be held abroad by non-residents.

The chronic lack of funds has now eased, because the domestic savings ratio has climbed to 32.5 per cent, the report says; but distribution of the funds remains a problem.

The bankers suggest that a discount house or broking house should be set up, to act as intermediary between lenders and borrowers in the market. The central bank could intervene through this body if it wished.

Currency: Won	1982	1983	1984	1985	1986
Real GDP Growth (% from prev yr)	5.5	9.5	8.7	5.2	12.5
Inflation (%)	7.3	3.4	2.3	2.5	2.3
Current Account Balance (US$m)	−2,650	−1,606	−1,372	−887	4,700
Exchange Rate: Won per US$	731	776	806	870	882

They recommend an end to paper transactions and the introduction of electronic and telephone communication, with settlement of transaction either through the central bank or a central clearing house.

Interest rates should be freely determined, but reflect government monetary policy, so that the Bank of Korea would intervene in the market as it saw fit, the report suggests.

It also makes some suggestions to ease the position of foreign banks, which have been operating under some difficulty since their swap facility, by which they exchanged foreign funds for won to lend locally, was sharply cut last year. At present their swap limit is reduced if they issue certificates of deposit.

The foreign banks have complained about their profits fall as a result of the changes, but critics point out that for years they had guaranteed profits from the government for foreign currency lending and little foreign exchange risk.

Although the outlook for the foreign banks may not be lively in the short-term, one banker reasoned that, having helped South Korea deal with its foreign borrowing, in due course the banks would be needed to help the country invest its surplus if the economy should continue to boom.

The situation for the local banks, however, appears to be static at present, but they may be able to take some comfort from the words of Mr Chung In Yong, the Finance Minister, in a recent interview:

"For years," he said, "in three different jobs, I have been dealing with non-performing loans. I am so pleased it is almost over." Now that the companies are on the way to economic good health, the banking system may be the next task.

Maggie Ford

Australia

Entering a brave new world

THE AUSTRALIAN banking industry in 1987 is grappling with the pincer effect of two historic firsts—full international competition and the highest real interest rates for any sustained period in the country's history.

The industry is adjusting, albeit painfully, to the brave new world of deregulation which has seen a plethora of new entrants balloon the system's assets and crimp lending returns.

The deregulation decisions of 1984-85 by Federal Treasurer Paul Keating, which floated the exchange rate and issued licences to 16 new banks, have set in train a number of trends which will take several years to run their course.

One of the more remarkable is an explosion in the number of merchant banks operating in Australia. The participants are estimated to have tripled to about 150 in the past five years, and their total assets grew by more than 30 per cent in 1986, giving them about 12 per cent of the lending market.

But, apart from a few of the largest players like, Elders Finance, the federal government-owned Australian Industry Development Corporation and major bank-owned Tricontinental Corporation and Partnership Pacific, earnings have been poor.

The US-backed Security Pacific Australia Group was one of the few foreigners to perform strongly, with Societe Generale, J. P. Morgan and First Chicago also increasing their assets rapidly.

The chill winds of deregulation have placed finance companies, traditionally a fast-growing sector of the Australian financial system, on the endangered species list. The areas where finance company lending has always been strong—cars, housing and small business development—are all flat, and they are being hit with bad debts, non-accrual loans and tighter margins.

Recent evidence of finance company troubles emerged when AGC, a subsidiary of the country's biggest bank, Westpac, was forced to make a A$60m doubtful debt provision on a property development. The two other bank-owned finance groups, Esanda and Custom Credit, also reported lower profits. Perhaps more important, with the major banks spreading their activities into almost every area of financial markets, there is increasingly little that the finance companies can do that the banks can't. As many of the major finance companies are owned by the banks, there must be severe doubt about their continued existence.

If the finance companies are threatened, so are the building societies, which have grown strong over the past decade, largely because they slipped out of the net of tight government control on the banks.

That has all changed with deregulation, and the large asset bases built up by the societies have now become an attractive take-over proposition for banks looking to boost their branch networks.

The National Mutual Royal Bank, a joint venture between Australia's second largest insurance group and the Royal Bank of Canada, has taken over one of the major building societies, New South Wales-based United Permanent. The nation's largest, the NSW Permanent Building Society, beat the banks to the punch and became one itself as has Perth Building Society, in Western Australia; while Victoria's two biggest, Resi and Statewide, have merged.

Australia's high interest-rate regime — where near 9 per cent inflation and continuing balance of payments problems have produced a bank prime rate around 18 per cent — has cut lending margins in the whole banking systems to what are believed to be all-time lows at 0.2 to 0.3 per cent.

These are clearly unusual economic times for the country, and a proper assessment of the winners and losers from banking deregulation may not be possible until more "normal" economic conditions return.

But with newly-licensed foreign banks taking only two years to reach an 8.5 per cent share of the country's total banking assets, it is clear the new entrants are prepared to work to build a beach-head. Few have been profitable in the early stages of their campaign.

Meanwhile, the big four domestic banks — Westpac, the Commonwealth, the National and the ANZ — have also found the going tough. All, except the Commonwealth, reported lower trading profits in the latest year, indicating that they have been willing to forego a certain amount of earnings to protect their market share.

This jostling for market-share has also recently seen a realignment among the big four, with the National Bank emerging as Australia's largest bank by assets after years of domination in the top spot by Westpac.

Both the National and Westpac now account for about 20 per cent of system assets, the ANZ about 18, and the Commonwealth 15.5 per cent. The National's emergence as a slight leader reflects a concentration on the domestic market, while the ANZ and Westpac have been pursuing overseas expansion.

Currency: Australian $	1982	1983	1984	1985	1986
Real GDP Growth (% from prev yr)	0.5	0.8	7.0	4.5	1.4
Inflation (%)	11.1	10.1	4.0	6.7	9.1
Current Account Balance (US$m)	−8,495	−5,917	−8,500	−8,683	−9,000
Exchange Rate: A$ per US$	1.02	1.11	1.22	1.47	1.49
Trade Weighted Index (1971=100)	85	79	81	66	54
Real Trade Weight Ind (1971=100)	97	94	99	84	74

Bruce Jacques

The Philippines

Weak sector in a boom economy

IN THE heady late 1960s, when the Philippine economy was on a par with that of emergent Taiwan, it seemed that any family that was anything in the country opened a bank. More than 34 full commercial banks and 900 rural banks mushroomed throughout the country.

Little has changed except that Taiwan has left the Philippine economy standing. Today, the largest bank, Philippine National Bank, just scrapes into the list of the world's top 500 banks, with total assets of US$1.7bn.

Twenty-five private banks cover a market where GNP per capita is less than $600 a year, and around two-thirds of the country's 55m population live below the poverty line.

Despite this, the sector has survived relatively unscathed considering the traumatic collapse that followed the country's debt crisis in 1983 when the economy shrank more than 10 per cent in two years.

A few commercial banks closed; others were heavily supported by the central bank—seven commercial banks still have central bank support today. Five more banks were drawn into the Government's net on the say-so of former president Ferdinand Marcos and run by various governental organisations, sometimes as little more than private piggy-banks.

Throughout this time the owners of the commercial banks have resisted mergers or capital increases that both the central bank and the World Bank are now strongly encouraging.

The governor of the central bank, Mr Jose Fernandez, is reticent about defining a policy for rationalising the sector. "There is lots happening that you don't see," he says, referring to moves to improve capitalisation, management and portfolio restrictions. But there is also a reluctance at this stage to cause waves, leading in some cases to local banks not taking their hits on the chin. For example, the central bank has allowed some banks to write off bad debts over five years rather than in the first year.

The World Bank has also focused on the five banks that the Government acquired during the last Marcos years. A recently signed $300m economic recovery loan depends on their being privatised by mid-1988.

Shares in some of these banks are beginning to change hands. American Express corporation last year bought a 40 per cent stake in International Corporate Bank, paying a 40 per cent premium over net asset value for the bank (total assets $205m). The Bank of Boston is currently in the final stages of buying a 40 per cent stake in Commercial Bank of Manila, which has total assets of $73m. The deal appears to depend on whether the Government demands a fresh capital injection from the Bank of Boston or whether swapping dollar debt held with the central bank for the peso equity will be allowed.

Finally, the Hong Kong-based First Pacific Group has offered to buy a third government-controlled bank, the $117m total assets Associated Bank, but the previous owners have matched the offer and the outcome is uncertain.

The decision to acquire parts of these banks is not based entirely on optimism that the economy is turning round substantially, although there are strong signs of a consumer-led recovery. Certainly smaller banks would like to nibble away some of the business cornered by Citibank, which is the "whale among minnows" with assets nearly twice as large as its nearest rival. But it is not clear that the banks would have invested in the Philippines had there not been a moratorium on debt repayments. "It is not forced investment, but we are backing into a possible viable option," one involved banker said.

American Express converted some of its outstanding debt with the Philippines into equity investment. The Bank of Boston and the First Pacific Group plan to do the same. The reasoning is that, if the banks are going to keep an interest in the country, then they might as well try to find a more productive investment.

The debt moratorium, agreed in New York in March, prevents any principal repayments until 1994. Even then many bankers think there will be further restructurings. When it comes to merging or recapitalising the private commercial banks, there has been no notable progress. Politics, though playing a smaller part than before, still lurks behind central bank policy towards the banks. Manila Banking Corp, for example, is heavily supported by the central bank—44 per cent of its liabilities are in the form of support from the central bank, and some of the rest is guaranteed.

Bankers also suggest that the central bank governor, Mr Fernandez, is hampered in his attempts to reform the banking sector because of a pending court case against him for alleged graft. He is accused of having benefited when, as central bank governor, he closed the Pacific Bank in 1985, selling some of its assets to a bank in which he formerly held shares.

Mr Fernandez vehemently denies the charges, but admits that the case is hampering his action as governor.

On the Government's side, the greatest progress has been made in cleaning up its two banks, the Philippine National Bank and the Development Bank of the Philippines. Some $7bn of non-performing assets, taken over during the Marcos years, have been stripped out of their balance sheets and will be absorbed by the Government.

A newly set up trust will try to sell off these assets, but only a quarter of their value is likely to be realised. However, the two revamped banks resume operations with a new life after fresh capital injections of $122m each.

Now that the main culprits, the government banks, have been sanitised, central bank attention will have to turn to the undercapitalised commercial banks.

Currency: Philippine Peso	1982	1983	1984	1985	1986
Real GDP Growth (% from prev yr)	1.9	1.3	−6.8	−3.8	0.1
Inflation (%)	10.2	10.0	50.3	23.1	0.8
Current Account Balance (US$m)	−3,212	−2,751	−1,253	8	−100
Exchange Rate: Pesos per US$	8.54	11.11	16.70	18.61	20.39

Richard Gourlay

New Zealand

No life-rafts if you should falter

THE NEW ZEALAND banking scene is undergoing its most traumatic transformation in half a century.

Major recent changes are deregulation of the banking sector, the lifting of all foreign exchange controls, the semi-privatisation of the state-owned Bank of New Zealand and the opening up of New Zealand banking to any reputable and well-capitalised financial institution.

On April 1, the date on which the new banking legislation came into force, eight local and foreign institutions had applied to the NZ reserve bank to operate a new bank in New Zealand. A week later another nine applied, and bankers expect another eight or 10 applications in the coming months.

This could mean that more than 20 banks will be licensed to operate in New Zealand by the end of the year, compared with the four existing trading banks and the newly-created Post Office Bank. It will take the Reserve Bank two months to process the applications.

The Government says the new banks must have:

- Authorised capital of NZ$30m ($17.1m).
- Paid up capital of at least NZ$15m.
- A well spread shareholding, or firm internal controls to prevent undue loan concentration or connected lending.
- Good standing in the financial community.
- Proven banking expertise.

The Finance Minister, Mr Roger Douglas, said the change would end the monopoly the four trading banks had enjoyed in some areas.

The Government has warned that any institution setting up a bank in New Zealand will be strictly on its own. There will be no life-raft if they falter, and the Government will not use taxpayers' money to help them out if the newcomers find the NZ banking scene more difficult than they anticipated.

This warning has not deterred those who were serious about setting up a New Zealand banking operation, although a few institutions which expressed interest in the early stages dropped out when they discovered the problems, and the cost—said to be up to NZ$10m involved.

The Reserve Bank is keeping names confidential, but among those which have confirmed their applications are Barclays from Britain; Indo-Suez from France; Citicorp from the US; Wardley from Hong Kong; National Australia from Australia; and NZI Finance Corp and Main Corp—both from New Zealand.

Other applications are expected from the Bank of Tokyo and the Banque Nationale de Paris, which already have offices in New Zealand and from a Canadian finance institution. The Australian-based Elders Group has also said publicly it intends to apply for a licence. More New Zealand institutions will also seek to expand into full banking operations.

Most of the new candidates will specialise or concentrate on one area of banking, but some will provide a full banking service, including retail banking. National Australia, for instance, says it intends to operate widely in retail banking.

Among the other local institutions which have expressed their intention to apply for a full banking licence is Trust Bank—formed from the amalgamation last year of 11 of New Zealand's 12 regional trustee savings banks.

However, Trust Bank, widely heralded as forging a strong banking force, with assets of more than NZ$4bn and an extensive network of branches, quickly ran into trouble. Within months, the largest of the group—the Auckland Savings Bank, which has more than one million depositors—pulled out of the merger. It was followed by the smallest, Westland, which shares Auckland's computer facilities.

The reason given for the break was that centralised control hindered Auckland's ability to make quick decisions affecting its own area.

Late last year another new bank was formed. The Bank of Scotland joined the Scottish-based General Accident Insurance Company of New Zealand and Countrywide, New Zealand's second largest building society, to set up a fully-fledged bank in New Zealand later this year. This will apply for stock exchange listing.

The General Accident Insurance Company has been operating in New Zealand for 50 years and has been associated with Countrywide for more than 20. The move was seen as enabling Countrywide to expand its services in the deregulated banking climate.

Considerable interest was aroused in financial circles by the Labour government's decision to sell 103m shares—representing 13 per cent of the capital of the state-owned Bank of New Zealand—to the public. The shares were sold at NZ$1.75 a share, and, when listed on the stock market on April 1, traded at NZ$1.80 but drifted back over the next few days to NZ$1.75. If the BNZ shares had been floated last year during NZ's heady stockmarket boom, they would undoubtedly have traded at a much higher price.

The BNZ has forecast a profit of NZ$145m for the year ended March 31, 1987 and at least NZ$175m for the following year.

During the past year BNZ has been extremely active, expanding its retail banking operations in both New Zealand and Australia, and has targeted the small business market as an area for potential growth in Australia.

Another important development in NZ banking was the transformation of the former Post Office Savings Bank on April 1, into a stand-alone bank. The new Post Office Bank is charged with turning the loss-making operation into a profitable banking concern—a turnaround which the new-look bank expects to achieve within three years.

The Post Office Bank has about 3m account holders and assets of around NZ$2.8bn.

The new bank's management has a major task ahead. A government-commissioned report revealed that costs of running the Post Office Savings Bank were 53 per cent higher than its most comparable competitors, the Trustee Savings Bank.

Banking in New Zealand has thrived under the new deregulated climate. Merchant banks and finance houses have expanded their operations, foreign exchange dealings have developed rapidly, and finance houses have moved into the world banking area.

Currency: NZ$	1982	1983	1984	1985	1986
Real GDP Growth (% from prev yr)	0.0	5.3	4.8	1.0	1.0
Inflation (%)	6.2	7.3	6.2	15.4	13.2
Current Account Balance (US$m)	−1,623	−1,184	−1,600	−1,100	−1,400
Exchange Rate: NZ$ per US$	1.33	1.49	1.72	2.01	1.92
Trade Weighted Index (1971=100)	66	62	56	52	49
Real Trade Weight Ind (1971=100)	106	102	93	98	96

Dai Hayward

Mini-computers are coming

India

Productivity will improve

"GRINDLAYS PRESENTS the future of personal banking... a farewell to pass books," announces a recent advertisement in the Indian media, with a picture of plush lounge without counters, emphasising the advent of computerised banking in India.

Grindlays, one of the 21 foreign banks in the country, is ahead of its local counterparts, which reached agreement two months back with their staff unions thus ending a three-year old stalemate on computerisation.

The agreement between the Indian Banks' Association and the labour unions permits banks to instal mini-computers worth 2m rupees and other equipment *for* housekeeping tasks and partial front office mechanisation.

A rise in labour productivity through computerisation, a saving in expenditure by staggering branch expansion programmes and increasing non-fund based business are expected to contribute to increased profitability of commercial banks this year. A World Bank study had listed low profitability and high level of debts, estimated at nearly half of the loans due for repayment, as major weaknesses of Indian banks.

Enhanced productivity will to some extent be achieved by the changes in interest rates on bank deposits and loans from April 1987. India made a beginning with monetary reform with *a controversial increase of one* percentage point in interest rates on maturities of two years and above to 10 per cent, which is now the maximum interest rate banks can pay against 11 per cent for a five-year deposit earlier.

The Reserve Bank of India, the country's central bank, made changes in the interest rates on bank loans as a prelude to introducing *far-reaching* changes in the relationship between commercial banks and their corporate customers.

- The maximum lending rate is lowered to 16.5 per cent from 17.5 per cent.
- The interest rate is cut by one percentage point also on loans bearing 16.5 per cent interest, in which category most loans to corporate customers *fall*.
- A quarter of loans to corporate customers of Rs 50m and above has to be converted within a year from now to self-liquidating bills, which will bear maximum rediscount rate of 12.5 per cent.
- Maximum interest rate on long term (7 to 10-year) postal savings public sector bonds, corporate debentures and public deposits with companies is cut by one percentage point.

The twin objectives of interest rate changes are boosting economic activity through a reduction in cost of credit and providing a shot in the arm to the languishing stock markets. Neither industry, stock markets *nor bank managers are satisfied* with the changes.

Industry feels that the interest rate cut is not large enough, comparing India's 16.5 per cent to four per cent in Japan and less than eight per cent in the US. Stock markets have virtually ignored it with any negative factors outweighing the benefit to the corporate sector.

The deposit interest rate cut will slow down the funds of banks only after the outstanding 11 per cent interest-bearing deposits are liquidated. They account for more than half of the deposits with banks. Mr J. S. Varshneya, chairman of Punjab National Bank, India's largest government-owned bank, says this will result in a squeeze for banks this year.

Currency: Indian Rupee	1982	1983	1984	1985	1986
Real GDP Growth (% from prev yr)	2.8	7.7	5.0	4.5	4.0
Inflation (%)	7.9	11.9	8.3	5.6	8.5
Current Account Balance (US$m)	−2,524	−1,953	−2,311	−2,500	−3,600
Exchange Rate: Rupees per US $	9.46	10.10	11.36	12.37	12.61
Trade Weighted Index (1971=100)	82	81	78	75	65
Real Trade Weigh Ind (1971=100)	81	83	82	81	75

Analysts say the growth rate of bank deposits, which passed the Rs 1,000bn mark late last year, may not be affected. There is no alternative to banks for savers in rural areas until the long-term savings institutions and companies establish infrastructure to tap savings there. A diversion to long-term savings instruments in urban areas would mean only a change in the character of deposits — from term to non-interest bearing *current deposits*.

The Reserve Bank has preferred selective changes in interest rates to a straight bank rate cut, which remains at the peak 10 per cent. A down-the-line interest rate cut following bank rate change, the RBI economists feel, would hurt the nation's overall domestic savings, which were down from the peak 22.9 per cent of gross domestic product in 1984-85 to 22.8 per cent the following year.

The thin spread between the average lending rate and the new average deposit interest rate are expected to change the character of Indian banks. They will no longer compete with long-term savings institutions like life insurance, mutual funds, Unit Trust of India and corporate debentures.

The interest rate changes mark a movement towards the market economy. A committee headed by Prof Sukhamoy Chakravarty, chairman of the Council of Economic Advisers to the Indian Prime Minister, and suggested the development of an integrated money market. The recommendations of the committee, counterpart of the Radcliffe Committee set up in the US some years ago, are designed to enhance the effectiveness in the allocation of short-term funds with minimum cost and least delay.

As a first step, the Reserve Bank plans to set up in association with government-owned banks and financial institutions a finance house, whose primary job is to deal in short money market instruments and impart liquidity. As the bill market develops, the discounting rates there will have a tendency to move down nearer to the Treasury bill rate since the trade bills and Treasury bill have the same liquidity: the only difference is that a Treasury bill is government paper and trade bill is bank paper.

The second phase of integrated market development is to begin a year hence in April 1988 when the corporate sector will be rated by an agency being set up in collaboration with an American firm yet to be named. Triple-A rate companies will be in a position to raise funds on the most favourable terms.

R. C. Murthy

Pakistan

Doubtful loans cause anxiety

PAKISTANI BANKING is growing fast, but an increasing number of bad loans, excess liquidity and the peculiarities of an Islamic interest-free credit system are squeezing bank profit.

"The accounts speak of high growth, but the situation is fraught with weaknesses too," said a senior central banker.

He refers to the latest annual accounts of the Big Five nationalised banks—Habib, National, United, Muslim and Allied. Their total deposits rose nine per cent to PRs 218.8bn ($11.55bn) compared with 1985. Advances rose 15.9 per cent to PRs 148.58bn while net assets rose 9.4 per cent to PRs 252.5bn.

But their average return on equity fell to 21.0 per cent in 1986 from 24.0 per cent in 1985 and pre-tax profits, at PRs 1.54bn were 2 per cent higher in 1986 than in 1985.

Banking sources estimate that the total loss exposure of the five has grown to PRs 29bn—four times their overall capital and reserves.

The supervisory Pakistan Banking Council (PBC) has classified dozens of bank advances to hotels, state-owned textile and sugar mills, and a number of other borrowers as doubtful with little possibility of recovery.

Bankers estimate PRs 10bn of loans to various state-owned enterprises and PRs 7bn of private sector loans are unlikely to be recovered. There was one success for the banks last year when the Pakistani Government reportedly made a first repayment of PRs 1.1bn on the PRs 15bn loans outstanding for the loss making, Soviet-built steel works at Karachi.

Yet Finance Minister Mr Mohammad Yasin Khan Wattoo points out that only PRs 1.2bn have been written off as bad debts since the banks were nationalised in the early 1970s and that banks continue to claim many doubtful advances are recoverable.

Senior PBC officials would have liked the banks to increase their loss exposure funds to almost 40 per cent of profits from the present 20 per cent. But bank managements disagreed. In the case of two of the banks net profit would then have declined significantly compared with 1985. In the end Mr V. A. Jafferey, governor of Pakistan's (central bank)—State Bank—allowed the banks to use their discretion and put between 20 to 40 per cent of profits into loss exposure funds.

High rates of liquidity another major problem facing Pakistan's banks.

Pakistan banking statistics

PRs bn

Bank	1985 Deposits	1985 Advances	1985 Investments	1986 Deposits	1986 Advances	1986 Investments
Habib	70.60	44.30	13.0	75.00	52.24	16.0
National	52.47	29.85	7.9	57.50	34.50	10.0
United	48.49	33.96	7.8	53.90	39.14	8.3
Muslim	19.92	13.55	3.2	22.40	15.52	4.5
Allied	8.45	6.52	1.6	10.05	7.18	1.6
Total	199.93	128.18	33.5	218.85	148.58	40.4

High liquidity ratios are explained by the bankers in terms of a still-slow pace of industrial development. Only a small number of industrial projects are being started, and the government, operating through the State Bank, continues to apply a credit squeeze. This is justified by the Government on the basis of its policy to keep price inflation in check. Officially this is still in single digits, *even if independent economists* put it closer to 20 per cent a year.

In 1986, Habib's liquidity ratio was 47 per cent, National's 41 per cent, United's 38 per cent, Muslim's 35 per cent and Allied's 43 per cent. This is eating into profitability. The rate of return allowed on savings deposits under the Islamic system has been under pressure for the past few years while profitability has been hit by growing overheads, deteriorating management, and the increasing cases of bad or poorly performing advances.

Another factor which has restricted the growth of advances is the New Islamic—or Interest Free Banking (IFB)—which came into effect on July 1 1985. The IFB system abolished western-style interest payments and provides closer supervision of the utilisation of borrowed funds, and prompter repayments. The cost of the bank funds to the borrowers is currently averaging around 15 per cent—14 per cent to prime customers—which is a shade higher than under the interest-based system.

Analysing the IFB system, State Bank governor Mr Jaffery says: "Without business concerns declaring profits in a just manner, progress will be difficult towards the application of profit and loss sharing modes of finance." (Under the IFB banks receive a percentage share of the borrower firm's profit.)

Mr Wattoo: less debt than they feared

At the same time private enterprise is providing very little equity for new industries, so their defendence on government funds, or borrowings from the nationalised banks, is growing fast. Some are even taking out their equity from investments. "Self-financing ratios have deteriorated from 67 per cent in 1977, to minus 13 per cent in 1985," says Mr Jaffery.

Another serious factor depressing banks' declining profitability is that they have to invest a sizeable portion of their deposits into the Government's treasury bills, which have a low 6 per cent yield. The cost of deposits, inclusive of profit paid to depositers and management expenses, comes to 9.5 per cent.

Currency: Pakistan Rupee	1982	1983	1984	1985	1986
Real GDP Growth (% from prev yr)	6.2	6.4	5.3	7.4	7.2
Inflation (%)	5.9	6.2	6.6	5.8	4.5
Current Account Balance (US$m)	−802	25	−1,196	−1,106	na
Exchange Rate: Rupees per US$	11.85	13.12	14.05	15.93	16.65

"Mandatory investing at 6 per cent in treasury bills means that we are receiving a 3.5 per cent negative return from the government," a senior banker said.

The problem worsened because, faced with a high liquidity, and the mandatory provisions of the Government the banks put 15 per cent of their deposits in treasury bills in both 1985 and 1986.

Foreign banks, also operating under the compulsory IFB system, declared somewhat higher profits than those by the Pakistani banks, for the six months ended December 31 1086.

The Middle East Bank paid the highest profit on 9.4 per cent a year on savings deposits, and 12.7 per cent on one-year term deposits. Chase Manhattan and Standard Chartered paid 7.5 per cent on savings and 10.2 per cent on one-year term deposits. Grindlays was the lowest with 7 per cent on savings deposits and 9.5 per cent on one-year term deposits.

By comparison, the Pakistani banks paid profit ranging from 7.1 to 7.3 per cent a year on saving deposits. The profit on one-year term deposits ranged from 9.6 to 10 per cent.

Pakistan has 16 foreign banks, with 54 branches. They have 12 per cent of all deposits in the country, and around 17 per cent of all advances and handle up to 38 per cent of Pakistan's foreign trade. This, coupled with business with select and multinational client, ensures a high rate of profit.

Foreign banks have a considerable growth potential as the credit ceilings imposed on them were loosened somewhat by the State Bank in 1986. In order to overcome the shortage of foreign exchange, they have been allowed to bring in hard currency unrestricted and expand their credit up to 65 per cent of the hard currency brought into the country. They plan considerable expansion for the foreseeable future.

Mohammad Aftab

Bahrain

Encouraged by Saudi edicts

"I THINK we are beginning to come up the other side of the recession," said a banker in Bahrain last month. "Nobody is thinking of new business yet—there are still too many uncertainties—but we're solving the problems that have made life so difficult during the last two years."

The banker's remarks applied as much to Saudi Arabia, which is the main part of the Bahrain offshore banks' market, as to the country where he was working himself. And they could equally have applied to Kuwait, which is now settling the debt crisis caused by the Souk al Manakh crash in 1982, and to the United Arab Emirates, where banks have been merged and recapitalised and are now stronger and better supervised than they have been at any time since the oil boom began in 1973.

The good news from Saudi Arabia is that some of the major corporate rescheduling operations are nearly completed. A settlement has recently been signed with Arabian Auto Agencies, a vehicle and machinery importing company owned by Zayed Sudairi. In the next two months it is hoped that there will be further settlements with REDEC, the conglomerate owned by Ghaith Pharaon, and Arab Bulk Trade, a subsidiary of Xenel Industries, which is owned by some of the younger members of the Alireza family.

Meanwhile, a group of Bahraini and international banks with operations in the Gulf has taken the unusual and important decision to sue Abdullah Fouad, a major contractor in the Saudi Eastern Province who had not co-operated with the banks' proposals for rescheduling.

Since this decision was taken, the banks have been further encouraged by edicts of the Saudi authorities, which it is hoped will lead to a tacit acceptance that interest is to be paid on loans which become subject to disputes. Hitherto the Shariah (Islamic) courts, which hear cases on almost all matters in Saudi Arabia, have held that the payment of interest has been illegal, and therefore they have been the refuge of every opportunistic business man who has found himself on hard times and has hoped to avoid paying his bank loans.

The main Saudi decision announced recently by the Ministry of Finance, is that banking disputes in future are to be referred not to the courts but to a conciliation committee to be established by the Saudi Arabian Monetary Agency (Sama), the central bank.

The feeling among Saudi and Bahraini banks is that this move looks very encouraging on paper, but that it has to be seen how soon the committee will be established and how quickly it will act. There is also some doubt as to what will happen if borrowers challenge the committee's decisions in the Shariah courts, which theoretically have the ultimate judicial authority: their judgments, being based on the Shariah, which is the constitution of the country, are founded ultimately on the Koran, which is the actual word of God as written down by the prophet Mohammad.

Other encouraging moves by the Saudi authorities are the reintroduction of mortgages, which in all cases involving interest-bearing loans the notaries public since 1981 had refused to legitimise, and the introduction by Sama of a list of defaulting debtors which it circulates to Saudi banks. Copies of the list leak out to banks in Bahrain.

Also, at the beginning of April, the Finance Ministry abolished withholding tax on interest paid by Saudi companies to non-Saudi institutions—which usually meant banks in Bahrain. The reason for the decision is the severe credit shortage in Saudi Arabia, caused by the Saudi banks' reluctance to lend to all but the most modern-minded and reliable names.

Despite these encouraging developments there is no rush by Bahraini and foreign banks to lend again to Saudi clients. Nor are they anxious to lend in Kuwait while the Gulf war continues and the banking crisis there is not completely resolved.

For the moment they are continuing to work out their problem loans and, in the case of the six Bahraini-registered offshore banks that have foreign Arab shareholders, work out strategies for their future development. The two biggest banks, Gulf International and Arab Banking Corporation, are already well established in the international markets and have opted for developing investment banking services and, in ABC's case, for the purchase of retail banking operations abroad.

The four smaller banks, Bahrain Middle East, United Gulf, Bahrain International and Kuwait Asia, were last year subject to speculation about a merger, which was an idea put forward by the central banking authorities in Kuwait (which was the home of most of the shareholders) and Bahrain. Now they have opted for running down their commercial lending—in some cases they have nearly completed the process—and for turning themselves into investment companies, which will place their own substantial capital abroad and invest funds on behalf of their shareholders and customers.

Among the foreign banks a few names have left—the latest departure, in February, was Lloyds—and many have reduced their staffs or closed their dealing rooms, which, it is said, makes them almost representative offices. The banks that have taken this action have been those that based their operations almost entirely on lending related to the construction boom in Saudi Arabia.

Banks that developed diversified operations, notable examples being Manufacturers Hanover and the Arab Bank, have maintained or even increased their staff levels. The Arab Bank says that this year it is doing better than it did in 1983, when the Gulf recession was just beginning.

From the point of view of the Bahraini authorities, who have said that banks which leave Bahrain will not be allowed back when times improve, the banks' response to the recession has not been too disappointing. Fewer than a dozen banks have left, leaving 70 offshore institutions in the state, and staffs have shrunk by a bit more than 10 per cent. The departures have been offset in part by the arrival of a few investment management operations, some of them representative offices of international banks.

To encourage existing banks to stay and new ones to come, the Government has taken several measures to reduce the costs of operating in Bahrain: it has cut employers' social security contributions, reduced municipal taxes and international telecommunications charges, and been more flexible on the granting of work permits to foreigners. Together with the side-effects of the recession, the financial measures are reckoned to have reduced the costs of maintaining a presence on the island by 20 to 25 per cent.

The banks appreciate the measures, though they say that Bahrain is still quite an expensive centre in which to have a base and they would very much like the Government to be more liberal in allowing them to reduce and expand the numbers of their Bahraini staff as their operating requirements dictate.

The problem is that Bahrain has a moderately well-educated labour force and is the one Gulf state that suffers from unemployment.

Michael Field

Currency: Dinar	1982	1983	1984	1985	1986
Real GDP Growth (% from prev yr)	8.2	6.3	1.9	n.a.	n.a.
Inflation (%)	8.9	3.0	0.3	−2.5	n.a.
Current Account Balance (US$m)	664	243	47	196	−160
Exchange Rate: Dinars per US$	0.38	0.38	0.38	0.38	0.38

Kuwait

Firm measures lift the economy

Currency: Kuwait Dinar	1982	1983	1984	1985	1986
Real GDP Growth (% from prev yr)	−1.4	2.2	n.a.	n.a.	n.a.
Inflation (%)	7.8	4.7	1.2	1.5	1.0
Current Account Balance (US$m)	4,873	5,290	6,289	5,616	3,500
Exchange Rate: Dinar per US$	0.29	0.29	0.30	0.30	0.29

THE KUWAITI Government in the last eight months has been making a great and sustained effort to rescue its banks from a morass of debt, stop the decline of its economy and boost public confidence.

In August last year, the Government ordered the banks to restructure their non-performing loans and at the same time guaranteed the banks' capital and published reserves. Since then it has cut interest rates, decreed a range of measures to stimulate the stock market and brought itself up to date on payments for land acquisitions.

It is said that the Government's burst of activity is designed to show Kuwaitis that it can achieve more when it is not obstructed by the National Assembly, which was dissolved last July. This may be partly true, but it has not made its measures less effective. The popular belief is that the economy is slowly starting to recover. Share prices are rising fast.

The ultimate cause of the banking crisis that afflicted Kuwait last year was Kuwaiti investors' mad speculation on the Souk al Manakh, the unofficial stock exchange which flourished in the early 1980s, trading shares in offshore companies, many of which had no assets save shares in their competitors. The bubble burst in September 1982, leaving a mountain of $92bn of nearly worthless post-dated cheques, which had been a form of credit for the speculation.

The Government failed to deal firmly with the crisis, mainly because in the intensely personal society of Arabia it could not at first bring itself to decree a set of practical general rules for the settlement of debts.

While it failed to act, the economy became paralysed. Nobody knew who was bankrupt and who creditworthy. There were people who had had nothing to do with Manakh but who were forced to default on their debts because they were owed money by speculators, or found themselves caught with inventory they could not sell in a stagnant economy. The value of shares they held in solid public companies collapsed and their real estate became unsaleable.

By the time the final settlement of Manakh debts was arranged in 1985 the economy was in deep recession. And when the banks at this point tried to work out which loans they were going to be repaid and which they would never see again, they found themselves in a crisis.

During the next year this did more harm to the non-oil Kuwaiti economy, which revolves around financial services and trade, than the fall in the oil price or the Gulf War, which has curtailed the re-export business.

Some of the smaller financial institutions ceased to operate. The only institution which was not seriously damaged was the National Bank of Kuwait, which is associated with some of the longest established merchant families, who were least connected with the Manakh speculators.

The solution to the crisis imposed last August was expected to cost some $6bn of Government cash. The banks were ordered to reschedule the debts of customers who had cash flow, and to take 10-year promissory notes from the rest at zero interest. They were to make provisions against the notes, and, if they were not repaid from customers' assets, write them off when they became due.

The Government guaranteed the banks' capital and published reserves. It undertook that, in cases where the provisions did more than eat up profits plus hidden reserves, it would make up the difference.

It was understood at the time that the Ruler hoped that all debts would be settled by the end of the year, but the deadline has been extended to the end of June. Officially it is said that to date 80 per cent of debts have been settled, but unofficially a figure of 40 to 50 per cent is accepted as more likely.

The delay has been caused partly by the technical difficulties in arranging settlements in which more than one bank is involved and partly by the hesitation of some of the banks' customers. A few hoped, at first, that the Government would come up with an even more generous scheme; there had been previous proposals for a comprehensive settlement and each had been superseded by something that gave the debtors more. Others simply wanted to see what the effect of the settlement arrangements would be on their friends; they did not want themselves to be the guinea pigs.

Since it announced the settlement programme, the Government has acted to boost the economy in four other ways:

☐ It has stimulated the stock exchange. At first it did this through some selective buying on its own account—it now owns more than 50 per cent of the shares of about half of the 44 public companies. Latterly, it has acted indirectly by instructing the three major Kuwaiti investment companies to act as market makers in shares, ordering the division of all public companies' shares into units of one tenth of their original face value, and authorising companies to buy up to 10 per cent of their own shares. The result of these measures has been that between early July last year and March 25, share prices rose 80 per cent.

☐ The Government has paid the arrears it owed for land acquisitions. This, combined with a minor surge in building by Kuwaitis who are taking advantage of the depressed price of construction materials, has pushed up land prices in some areas by more than 20 per cent.

☐ The central bank in March ordered a cut in the banks' lending rates, from 10 per cent to 7½ per cent for general loans, and to 6 per cent for "productive" loans to industry, contractors and importers. The aim is as much to reduce the burden on borrowers who are not involved in the debt settlement programme, but who might not be far from default, as to stimulate demand for new loans.

☐ The central bank has arranged that all banks should declare some form of dividend for 1986. Only NBK made sufficient profits to declare a proper dividend; it paid 20 per cent cash plus 10 per cent in bonus shares. The other five banks distributed bonus shares of between 7 and 9½ per cent of issued capital, and three of them, Gulf, Commercial, and the Bank of Kuwait and the Middle East, made large rights issues.

It is thought that all of the banks except NBK have received assistance in the form of interest-free government deposits.

How much these measures will help revive productive activity is uncertain. Combined with the stabilisation of government spending and the significant revival of the price of oil, which will cut the budget deficit, they have certainly stopped the slide towards ever deeper recession. But whether they have raised public confidence enough to start the private sector investing again remains to be seen.

Michael Field

Saudi Arabia

Arbitration for interest disputes

Currency: Saudi Riyal	1982	1983	1984	1985	1986
Real GDP Growth (% from prev yr)	1.7	−10.7	0.9	−1.5	−5.0
Inflation (%)	1.1	−0.6	−1.2	−3.3	−3.0
Current Account Balance (US$m)	7,575	−16,068	−19,045	−12,965	−13,600
Exchange Rate: Riyals per US$	3.43	3.45	3.52	3.62	3.70
Trade Weight Ind (1971=100)	140	150	162	168	139
Real Trade Weight Ind (1971=100)	147	153	151	142	113

SAUDI ARABIA'S 11 commercial banks may still be weathering an economic downturn, but changes designed to help them are now on the way from the Saudi Arabian Monetary Agency (Sama) and the Saudi Ministry of Finance and National Economy.

These include formation of a new banking disputes arbitration committee, and various rulings to improve the banking climate in the Kingdom.

The most important change is the banking arbitration committee. Until now, under Islamic "sharia" law, which forbids the paying or taking of interest, no bank could take a debtor to court (Sharia courts will order payment of principal but not interest).

The new Sama banking arbitration committee will take all commercial disputes now handled by the sharia courts and Ministry of Commerce commercial courts. The composition of the 3-man committee has yet to be decided, but the Ministry of Commerce has already started sending its backlog of over 500 cases to Sama.

The new committee is expected to give rulings more favourable to banks.

The other major move has been the directive from the Ministry of Finance to the Kingdom's notaries public that mortgages can now be entered in a bank's name. More than 90 per cent of the Kingdom's loans are, or were, secured by mortgages until the Islamic ban on this was put in place in 1981.

This gives bankers valuable collateral, and is intended to encourage loan-making. Loans and advances by all the banks fell last year.

The Ministry of Finance has also issued a circular dropping the withholding tax on interest paid outside the country. This makes it easier for the Kingdom's banks to attract deposits from overseas. It also makes it easier to secure a loan from outside the Kindom.

Sama has announced plans to permit banks to share each other's automatic teller machine (ATM) networks, and has brought its computerised cheque clearing sytem on-line.

Banks have also reported progress on their problem loan list—50 or 60 persons notorious for non-payment of loans. The confidential list is handled on an informal basis.

Banks have now agreed to refuse any facilities to those on the list and this is now beginning to produce results, say bankers.

Only two banks, Bank Al-Jazira and Saudi Cairo, have yet to report bank results this year. National Commercial Bank (NCB) and Riyad Bank each reports on a different schedule. Next year may be the first year that all the Kingdom's banks will report on the same schedule. Riyad Bank is definitely changing over, and NCB says it is considering doing so.

The 40-60 Citibank joint venture bank, Saudi American Bank (Samba) demonstrates the trend in Saudi banking: lower profits, higher provisions, lower loans, more deposits, and more funds sent abroad. Its profits declined 53.7 per cent during 1986 to SR80.7m. Provisions were boosted 84.3 per cent to SR 296.9m. Loans and advances fell 25.5 per cent to SR 3.919bn. Loans and advances to the private sector declined 29.7 per cent to SR 3.524bn.

The Kingdom's two smallest banks actually showed improvement. United Saudi Commercial Bank, registered a second year of losses, but showed improvement in profits before provisions. Profit before provisions was SR 44m for 1986, compared with SR 5m for 1985.

The bank added SR 60m to provisions this year, compared with SR 22m put into provisions the previous year. USCB also announced that its Saudi shareholders bought the 10 per cent share owned by Lebanese partner, Banque du Liban et d'Outre Mer.

Saudi Investment Bank (SAIB) which is 20 per cent owned by Chase Manhattan reported a profit of SR 1.3m, compared with a loss of SR 15.5m in 1985. SAIB took a provision of SR 36m.

Saudi British Bank, 40 per cent owned by British Bank of the Middle East, reported a profit of SR 8.59m, down 5.1 per cent from 1985. Provisions this year were SR40.5m. The previous year, provisions were SR 95.6m.

One high-ranking banker says the Kingdom is still under-provisioned, and most say large provisions will have to be made in 1987 and 1988. They point out that a large portion of the loan provisions arise not because of bad debts but because of uncertainty about the banking system. If the new changes by Sama stick, and are not rolled back by conservative religious forces, the push for such high provisions may ease.

Bankers see more stable oil prices as a good sign. "There are clear signs of recovery," said NCB deputy general manager, Omar Bajamal. He says that Saudi banks have a conservative ratio of provisions to outstanding loans, and still give a high return. Sama officials point out that Saudi banks have very high provisions to loans ratios.

Several banks have doubled their share capital this year. Saudi Cairo actually used the doubling to infuse capital.

Saudi French simply shifted reserves to share capital. Saudi American is considering taking the same step.

Finn Barre

Egypt

Confidence rises after lean years

Currency: Egyptian £	1982	1983	1984	1985	1986
Real GDP Growth (% from prev yr)	5.5	7.5	5.0	6.9	3.0
Inflation (%)	14.9	16.1	17.1	13.5	25.0
Current Account Balance (US$m)	−1,852	−411	−2,081	−2,245	−3,000
Exchange Rate: Pounds per US$	0.83	0.83	0.83	1.30	1.36

EGYPT'S BANKING sector has emerged in reasonable shape from several difficult years, caused largely by the economic crisis in the country itself.

Officials of the central bank, heads of the large public sector commercial banks and foreign bankers say that, after a period of consolidation, forced by a rapid build-up of bad debts and by foreign currency shortages, the sector is healthier.

Central bank policy to restrain growth of credit, and also to put an effective ceiling on new banks opening in Egypt, has helped in this process. After a worrying period in 1984-85, when several third-tier banks were in difficulties due to poor management and questionable lending policies, there is greater confidence.

But uncertainties persist over central bank management of the banking sector, and over the likely impact of a proposed agreement with the International Monetary Fund on Egypt's troubled foreign exchange market.

An IMF agreement is expected by the end of May. Bankers say that the interim is proving an uneasy time for them. Recent wild fluctuations of the domestic foreign exchange market, when the Egyptian pound depreciated 10-15 per cent against the US dollar in several days (when the dollar itself was under pressure) partly reflected these uncertainties.

The IMF is offering a stand-by credit of an initial tranche of about 250m SDR's in exchange for economic reforms which include reductions in subsidies, increases in prices paid to farmers for staple crops, liberalisation of interest rates and, most important for the banking sector, a streamlining of Egypt's tangled exchange rate regime.

Official exchange rates for the Egyptian pound bear little relation to its real value against foreign currencies. Billions of dollars are traded on a large and relatively unsupervised unofficial market, depriving the banking sector itself of foreign funds and squeezing amounts available for debt-servicing and trade finance.

The IMF has proposed a step-by-step reform of the foreign exchange system, which would involve banks themselves freely trading in a central bank-supervised currency market. Reforms are aimed at a "limited" float of the Egyptian pound.

Government officials are worried, however, about being able to control the pound's depreciation against foreign currencies. A collapse of the pound would shake confidence in an already fragile economy and in the IMF reform programme itself.

The Government is particularly concerned about the inflationary effects of such a depreciation. Egypt's inflation rate is esimated to have been about 20 per cent in 1985-86. But with a large food import bill (more than 50 per cent of the country's foodstuffs are imported), the authorities face serious difficulties holding down prices and at the same time restraining the budget deficit.

The central bank report for 1985-86 painted a relatively rosy picture. There was strong deposit growth, up 16 per cent to E£26.875bn (US$19.4bn) by the end of June 1986.

Egyptian bankers say that the increase in deposits reflects public confidence in the banking system, and is a good sign for the future in spite of Egypt's present economic difficulties. A worry for the Governent and for bankers themselves is the rapid growth of deposits with finance companies which have mushroomed in recent years. El Rayan investments, the largest of these institutions, is dealing in billions of dollars annually.

Government supervision of these investment houses, some of which claim to be operating according to strict Islamic principles, is weak under existing laws. New finance companies are drawing funds away from the banking sector by offering high returns on foreign currency deposits.

The authorities are worried about the possile impact on the entire Egyptian financial system if one of these investment houses gets into difficulties. Mr Aly Negm, the former central bank governor, warned investors to approach these institutions with caution.

But such is the scale of their operations, that Islamic investment houses now wield considerable financial and political muscle. Their ability to influence local currency markets is widely acknowledged in the banking sector.

The central bank report confirmed indications over the past several years that the Government has had some success restraining imports. Imports in 1985-86 were down 8.5 per cent to E£8.8bn. The figure is expected to be down further in 1986-87, although bankers report a big jump in letter of credit business in the first several months of this year.

The drop in imports is attributed to foreign exchange shortages and to more efficient government supervision of the trade sctor. New regulations introduced last year included a list of items banned from importation.

Egypt's foreign debt, and its substantial arrears of about 20 months in payments on suppliers' credit, continues to worry bankers. An IMF agreement is considered crucial if Egypt is to restore its international creditworthiness.

Foreign debt is estimated at about US$40bn. An IMF agreement would open the way for a comprehensive rescheduling of about $12bn of government-guaranteed debt through the Paris club.

Egypt's financial position remains precarious, but the situation has been eased somewhat in the early stages of this year by bigger transfers from Gulf states. Kuwait is believed to have provided about $200m in payment for Egyptian military supplies to Iraq. Saudi Arabia is also thought to be providing funds.

The four big public sector commercial banks had mixed fortunes in 1985-86, according to their balance sheets, most of which were published at least six months after the end of the financial year.

The National Bank of Egypt, the biggest of the four, suffered a profit drop of 28.2 per cent. Banque Misr's profit was down 12.1 per cent. Banque du Caire's profit was up 6 per cent, and Bank of Alexandria returned similar results to those of 1984-85.

Public sector bankers say profitability was curtailed by higher than normal provisions for bad debts.

Foreign currency branches in Egypt had a difficult year. The poor trading environment curtailed their activities. Several of these branches have reduced their staff. Lloyds closed its Alexandria and Cairo city branches earlier this year. Foreign currency branches are encountering increasing difficulties, because of uncertainties in the currency markets. They are not authorised to deal in Egyptian pounds. Repeated efforts by bank representatives to persuade the authorities to change the rules have made little progress.

Tony Walker

Turkey

Three rescue Tobank

Currency: Turkish Lira	1982	1983	1984	1985	1986
Real GDP Growth (% from prev yr)	7.3	3.3	5.7	4.7	6.0
Inflation (%)	27.0	32.9	48.4	45.0	34.0
Current Account Balance (US$m)	−1,041	−2,133	−1,636	−1,249	−1,470
Exchange Rate: Lira per US$	162.55	225.46	366.68	521.98	674.51

TURKEY'S BANKING world started 1987 with a crash. After months of official denials that the Treasury had launched a rescue operation for the Tobank (Turkiye Ogretmenler Bankasi), it was announced on February 27 that three state banks had bought out the bank's owner, Mr Sait Kemal Mimaroglu, for a mere TL4m (£3,100).

To some, the Tobank incident was reminiscent of half-a-dozen bank crashes four years ago. Right up to the moment of the rescue, the bank was proclaiming to the world that it was making a profit, and the Treasury was saying that nothing unusual was going on. In the event, the Tobank seems to have had bad debts of around TL60bn (£46m) and capital of only TL14bn.

Tobank was bought out by a combination of the Ziraat Bankasi, the Emlak Kredi Bankasi, and the Vakiflar Bankasi—three state banks apparently acting under instructions from the Treasury. Ziraat, which bore the brunt of the earlier rescues and is believed to be still carrying a heavy load of liabilities because of them, was apparently reluctant to move alone.

In the private-sector banking world in Istanbul, however, things were generally buoyant for the larger and more efficient operators. The Akbank made a post-tax profit of TL74.9bn (£58m), the best ever performance by a bank which has been singularly successful in weathering the storms in Turkish banking over the last few years.

Even more striking was the return to the black of the Yapi ve Kredi Bankasi, which reported profits of TL31.3bn (£28m).

This was the first time for a decade the Yapi had been well and truly in the black, and is a vindication of the management policies followed by its general manager since 1984, Mr Husnu Ozyegin.

Even though Turkish banks have been operating a standard accounting system for the past 15 months, balance sheets are still far from revealing the true state of affairs about all of them—hence the decision by Yapi ve Kredi to have its accounts independently audited for the first time this year, to convince any sceptics about its recovery.

Tobank, the day of its takeover, was proclaiming to anyone who cared to believe that it had made a profit of TL55bn (£50m) in 1986.

A rough rule of thumb seems to be that any bank claiming to make under TL30bn and not externally audited may, in fact, be making a loss. In the case of some of Turkey's larger banks audited this year, the signs are that they have been having a tougher time than their balance sheets might suggest.

Just how heavily non-performing loans continue to weigh on portfolios is unclear. The final collapse of the Okumus industrial group this spring played a part in the debacle at Tobank, and is rumoured to have hurt some of the bigger banks.

For the more efficient operators, however, the large spreads have meant conditions of easy profitability. Standard Chartered, the first British bank into Turkey, defied predictions that latecomers into the Turkish market would not make money. It made TL17bn in its first year of operations.

Some banks are now beginning to look outside traditional areas into new money-market activity.

Iktisat was one of th first banks to get actively involved in bonds. It has since been followed by Yapi ve Kredi, which in February became the first Turkish institution to market commerical paper.

Around the same time, the central bank in Ankara began open market operations, though the task of building up its portfolio was expected to take several months. The open-market operations are the latest in a series of money-market innovations being introduced step-by-step by the bank's deputy governor, Dr Rusdu Saracoglu. Chief of these was the introduction a year ago of a TL interbank, handled (and jealously guarded against possible marauders) by the central bank.

Currently, however, Turkey's banking system lacks one essential ingrediant—a central bank governor. Following the elevaton of Yavuz Canevi to run the Treasury last October, the post has lain vacant for nearly six months. Local and foreign bankers are less than happy with this situation. They would like to see acting governor Zekeriya Yildirim confirmed in the position as soon as possible.

David Barchard

Trade unionists demonstrate in Mexico City last year, urging the Government to place a moratorium on foreign debt payments.

Mexico

Non-banks boost market share

MEXICO'S NATIONALISED banking system was last year the ephemeral beneficiary of a financial emergency, brought about by what ministers and bankers routinely describe as the worst year in the country's economic history.

The collapse in the price of oil, Mexico's main export, obliged the financial authorities to pursue policies designed to reward savings heavily.

The huge drop in 1986 oil revenues of $8.5bn, added to the fact that Mexico received no net new foreign credit last year or the year before, forced the Government to:

☐ Monopolise more than 90 per cent of all commercial bank credits, a policy pursued since July 1985, since when both private investment and bank credit to private business have been halved;

☐ Hoist real interest rates to historic highs, as instanced by the 30-point rise of the bench mark three-months Treasury bill (Cetes) to 106 per cent; and

☐ Devalue the peso 148 per cent against the dollar over the year for the "controlled" rate, used for merchandise trade and debt transactions.

The object was to pay for a $20bn budget deficit—about 16 per cent of GDP, all of it interest on domestic borrowing and the $100bn foreign debt; to rebuild savings and attract back some of the estimated $40bn in "flight capital" that Mexicans hold abroad; and to diversify away from oil by making non-oil exports rapidly competitive in dollar terms.

One result of these emergency tactics was that the commercial banks—expropriated at the height of Mexico's first foreign debt crisis in September 1982—and the private, non-bank financial sector did much better than the estimated 3.5 to 4 per cent contraction in GDP would otherwise justify.

The country's two leading commercial banks, Banamex and Bancomer, which each accounts for roughly a quarter of all banking system deposits, last year declared record net profits increases of 185 and 155 per cent in pesos, against inflation of 105.7 per cent.

These two—which with Banca Serfin, half their size but stronger, for instance, in the north-eastern industrial centre of Monterrey, make up the traditionally dominant Big Three—head 19 commercial banks, whittled down from 59 at the time of nationalisation.

The performance of the larger banks, however, tends to mask the fact that commercial banks are losing both overall market share and the most lucrative share of the market to the non-bank financial sector. This is dominated by the stock brokerages, which are owned in many cases by pre-1982 bank shareholders, and in the past five years of crisis have gradually taken over the role of financing the private sector.

Revised 1985 figures show a real decline (after inflation) of 17 per cent in bank deposits (despite positive interest rates), while preliminary figures for last year indicate a real fall of 10 per cent. The extremely high real interest rate policy pursued from July last year reduced the annualised rate of decline in deposits to around zero by the beginning of this year.

The cost of this policy was to squeeze further a private sector unable to pay 30-40 per cent real borrowing rates on what little bank credit was not taken by the Government. But the Government managed to halt further savings erosion, was able to place its instruments like Cetes, and has been rewarded with $4bn net capital repatriation over the past 16 months, as well as a 35 per cent growth in non-oil exports.

The financial sector as a whole has profited from this liquidity, providing the only growth in the economy outside of the still-small exporting sectors. But the performance has been uneven, and the question now is what division of spoils between the state banks and the private financial sector emerges once Mexico starts to move beyond emergency and back towards growth.

Banamex and Bancomer, for example, have managed to more or less sustain in real terms both their deposit base and credit portfolios, with the shrinkage concentrated lower down the banking league table.

But the secondary financial services sector—the stock brokerages in particular—did far better than even the big banks. This sector, which accounted for only 8 per cent of the market when the banks were nationalised, last year channelled a quarter of national savings, and, according to some studies, now accounts for a third of the Mexican capital market.

The stock market last year rose 321 per cent, most of it in the last half, and its 42 spot index has shot up a further 115 per cent so far this year.

This already fierce competition is now getting sharper, and at a time when the Government has exhausted its emergency tactics. Interest rates have come down five points this year, and are expected to fall a further 15 points, while the "crawling peg" on the controlled rate for the peso has been allowed to fall behind inflation, producing a devaluation against the dollar of 21.4 per cent in the first quarter against consumer prices increases of 23.5 per cent.

The main reason for the relaxation in interest and exchange rate policy is that Mexico has secured, finally, up to $14bn in new finance from its creditors for 1987-88. The Government can no longer justify such inflationary policies. But at the same time, it and the market have had gradually to replace them with a range of alternative instruments to keep savings inside the country.

Some of these instruments, like the Certificados de Aportacion Patrimonial (CAPs), through which the banks are privatising 34 per cent of their stocks, are regarded by some inside the market as unhealthily speculative. The Big Three, for instance, issued their CAPs at what turned out to be discounts of 135 to 396 per cent, almost wholly to employees and, more controversially, pre-selected clients, placing only small amounts in the open market to regulate prices. Brokers received token prospectuses, supposed to accompany the issue, 10 days after the stocks had been placed, and the political opposition logically saw the exercise as brazen insider dealing on a grand scale.

Healtheir signs of sharpening competition have come, for example, in the fast growing bankers' acceptances market, with banks and brokerages creating paper now equivalent to a third of the Mexican money market; or in the expansion of money market funds, where Banamex now has the fourth ranked performer by yield out of 25 funds, and Bancomer, which only entered the market last August, has, by contrast, started well down the table with a lot of catching up to do.

David Gardner

Currency: Mexican Peso	1982	1983	1984	1985	1986
Real GDP Growth (% from prev yr)	−0.6	−5.3	3.7	2.7	−4.0
Inflation (%)	58.9	101.7	65.5	57.8	85.7
Current Account Balance (US$m)	−6,218	5,419	4,240	540	−2,900
Exch Rate: Pesos per US$	56.4	120.0	167.8	256.8	611.8
Trade Weighted Index (1971=100)	25.3	10.4	8.9	5.3	2.6
Real Trade Weight Ind (1971=100)	78.1	62.8	85.4	73.9	67.9

Panama

Drive against illegal funds

Currency: Balboa	1982	1983	1984	1985	1986
Real GDP Growth (% from prev yr)	5.5	0.4	−0.4	4.1	2.5
Inflation (%)	4.2	2.1	1.6	1.0	−0.5
Current Account Balance (US$m)	−51	416	99	272	n.a.
Exch Rate: Balboas per US$	1	1	1	1	1

AN INCREASE in domestic business still cannot hide the fact that offshore banking in Panama, the most important sector, is having difficulties holding its own.

Gone are the days of large-scale lending to Latin America; and, since Panama was a significant centre for booking such loans, the level of offshore assets has steadily declined since the debt crisis began in 1982-83.

At the same time, Panama as an offshore centre has been under increasing competition, as have other Caribbean offshore centres, from big traditional financial marketplaces.

Parallel with this, Panama has been struggling to clean up its image after being associated with money-laundering from the drugs business. Considerable efforts have been made, but still foreign bankers feel that Panama has not fully recovered from bad publicity associated with the vast Latin American drugs trade.

The health of the industry, with total assets of $40bn, is of vital importance to Panama. Banking, financial services and real estate account for roughly 7 per cent of GDP and employ directly 9,000 people. A study by the Panamanian Tourism Institute showed that one-in-four airport arrivals was connected with banking business.

Until the 1970s there were only 21 foreign and local banks operating in the country. By the end of the decade, the figure had risen to 107 and now stands at 130, recent new arrivals approximately cancelling out any departures. Panama proved extremely attractive for regional business; so that two-thirds of all activity became offshore.

The basic attractions were: the use of the dollar (the "balboa" is the local name given to it); the lack of controls and guarantees of secrecy; the long-standing presence of major US institutions, which had helped create a pool of experienced and bi-lingual local staff; good support facilities which had grown up because of the American presence in the Canal Zone; the implicit stability stemming from the US presence and strategic commitment to the Canal; and finally Panama's good location.

The bulk of the deposits attracted by the offshore business came from within Latin America—the boom in Panamanian banking owed a good deal to capital flight in the period 1975-81, when many Latin American countries operated artificially high local exchange rates against the dollar. During this period, some local bankers believe, Panama attracted 15 per cent of the region's massive capital flight. In turn, as much as 80 per cent of offshore lending was to Latin American countries.

Since 1982 offshore business has fallen sharply. When the debt crisis began annual lending was running at $29bn. In 1983 this slipped to $23bn, since when it has declined gradually so that last year total loans were $18.7bn.

The fall in offshore lending not only reflects the negative flow of commercial loans to Latin America; it also reflects changes in the practice of the banks, especially US banks, moving Panama-registered loans to be booked elsewhere.

Another factor has been the reduced profile of the Colombian banks in Panama. Until 1985, they represented the largest single country presence in Panama. However, they accumulated some $1.5bn of doubtful loans, and the Colombian authorities have obliged the parent banks in Colombia to assume direct control of their Panama operations and reduce their exposure. The Banco de Colombia has been obliged to sell off its Panama operations, being bought by local banking interests.

Also as part of a general strategy of retrenchment, the Bank of America—involved in both domestic and offshore activities—has sold off its Panama operations to a local Panamanian bank.

In terms of purely local banking, there was a slight recovery last year with deposits up from $3.9bn to $4.2bn. This reflected the overall positive growth rate in Latin American economies and a modest recovery in trade and Canal Zone free trade activity. The Panamanian economy itself grew at 2.5 per cent. On the domestic scene, the largest bank remains the semi-official Banco Nacional de Panama, with Chase Manhattan and Citibank next in importance.

The most contentious issue continues to be the extent to which money is used to harbour illegal drug funds—"narco-dollars". The tightening up of regulation, and US surveillance of Caribbean offshore centres like the Cayman Islands and the Turks and Caicos since 1985, is understood to have led to increased illegal funds coming to Panama to take advantage of its strict secrecy rules.

Having resisted for two years US pressure to make any changes in the secrecy laws, for fear that this would be detrimental, the authorities have softened their position. Earlier this year a law was passed permitting the office of the Attorney-General to investigate in specific circumstances bank accounts suspected of harbouring illegal funds. The authorities insist that clients' confidentiality will be preserved and that any information provided will be solely related to the specific request—not, for instance, for use by the US Internal Revenue Service.

In parallel with this move, the Banking Association has sought to tighten up its code of ethics. Banks are now expected to raise questions about any deposit in cash that exceeds $25,000, whereas previously only sums of $100,000 and above were expected to be questioned and reported. It is understood that one of the ways the US put pressure on Panama to tighten up on money laundering was to restrict the amount of new dollar notes provided to the Banco Nacional de Panama.

Since Panama operates a dollar economy and is without a central bank of its own, old notes and excess liquidity are returned to the US. Part of this excess liquidity is believed to reflect the scale of money being laundered in Panama.

Since 1979 the task of returning the notes has been taken out of Chase's hands and carried out by the Banco Nacional de Panama. In 1984 $1.1bn was returned to the US Federal Reserve, and since then the figure has not altered significantly.

There is now a general realisation that Panama's image has been tarnished, and this year the authorities are expected to work hard to demonstrate that their house is in order.

Robert Graham

Brazil

Cruzado plan forces slim down

Currency: Cruzado	1982	1983	1984	1985	1986
Real GDP Growth (% from prev yr)	0.9	−3.2	4.5	8.3	8.0
Inflation (%)	98.0	142.0	196.7	227.0	144.0
Current Account Balance (US$m)	−16,312	−6,837	42	−273	−2,000
Exch Rate: Cruzado per US$	0.18	0.58	1.85	6.2	14.0
Trade Weighted Index (1971=100)	3.45	1.18	0.39	0.12	0.05
Real Trade Weigh Ind (1971=100)	94.3	81.7	84.8	81.1	83.0

BRAZILIAN BANKS have had to come full circle in the last year, as the country's economy has swung from inflation rates running at 15 per cent monthly to zero and now back to 15 per cent. Private banks emerged from the market-swing leaner and more cost-conscious, while some state banks fared less well.

Six state banks are now under special intervention from the central bank, and all banks are taking a harder look at their loan portfolios as the country's economy shows more and more signs of a recession.

Bankers agree that the banking system is now much stronger after adjusting to Brazil's Cruzado plan announced in March 1986. Before the Cruzado plan, which reduced inflation to zero temporarily and provoked a consumer boom as Brazilians took advantage of frozen prices, banks had concentrated on farflung branch networks designed to capture deposits, handle financial transactions and help millions of Brazilians protect their cash with overnight placements in money markets.

Major Brazilian banks shed overheads, cutting personnel and closing branches. Essentially, the banks were forced to adjust their business to different and fewer demands. As one international banker commented on the transition, Brazilian banks fared fairly well in Brazil's past recession, in 1981-83 when many companies had to adjust painfully to a slowdown. The banks' adjustment came later in 1986, when inflation fell drastically, revealing a cost base that required paring in order to show profits.

Larger banks trimmed 10,000 to 20,000 employees from their payrolls, and the banking system in general reported slimmed down some 120,000 to 150,000 workers. Generally, private banks and a few state banks met the administrative challenge and showed good earnings for the year, chiefly because of better performance in the second half.

The agility in streamlining administration was last year's test. This year, it is credit and portfolio management that counts. Bankers worry that small and medium-sized companies that sprung up or expanded during last year's consumer spending boom could find it difficult to pay off loans now that the economy shows signs of slowing down. Banks with heavy agricultural loans also face collection problems.

To offer some relief, the central bank, in early April, opened special 90-day credit facilities for these companies, allowing banks to use a percentage of their funds normally on deposit with the central bank for lending at a very low 1.5 per cent above the market rate for treasury bills. Some bankers indicated that the Cruz 15bn (US$650m) in credit lines may not be too popular, in that they must be used within 35 days and are extremely short term.

But with mid-1986s non-inflationary environment, bank customers held cash, spent it or stayed very liquid with money in checking accounts. Banks found many of their services too costly to offer free of charge in a market where profits were harder to make with float-based products and services.

One major Brazilian bank, analysing its business in one of its busiest branches, discovered that 50 per cent of the people coming through the doors used the branch only to pay bills and were not clients of the bank's other services.

With recent increases in liquidity in the system, some bankers think it is only a matter of time before the central bank needs to tighten credit once again, including perhaps even these new lines. Since the number of trade receivables shows some signs of slowness in payment in certain business sectors, especially with small and medium companies, there is concern that banks that expanded their loan portfolio quickly last year to gain market share may face credit problems in the coming months.

Part of the current difficulties stem from the sudden surge in interest rates. Since October, rates have climbed from 100 per cent a year to over 500 per cent. Firms that rely on financing working capital have found it extremely difficult to cover financing costs. Efforts since January from the central bank to flood the financial system with cruzados has brought interest rates down by 70 per cent recently on bank certificates of deposit, to 420 per cent or 450 per cent a year, but real rates of 19 per cent to 20 per cent still worry businesses.

A decline in consumer demand, due to less cash in the hands of consumers who face high personal income tax payments, has slowed retail sales and new orders.

The effects are already beginning to show up in a deterioration in the quality of bank and finance-company consumer portfolios. A few major finance companies report non-payments as high as 30 per cent. Many observers feel this deterioration merely presages a more widespread, but just as dramatic, decline in demand for the economy as a whole.

The central bank intervention in six state banks earlier this year helped relieve some of the upward pressure on interest rates, since these banks generally had to pay rates 10 per cent above what private banks offered to place certificates. One international banker said that the state banks regularly came into the market for large amounts, "dragging the market up and squeezing the private market."

It appears too early to tell what the cost and effect of the central bank's special administration of the state banks will bring, since closing them is impossible politically. Up to now, the central bank is thought to have injected Cruz 50bn (nearly $2bn) into the banks.

State banks in Brazil operate at the beck and call of the state governors, providing loans and cash as needed. Some of the banks follow standard banking procedures, but the six now under intervention continually overdrew on the central bank, essentially printing money.

On the international scene, Brazilian banks have largely confined their services to financing Brazilian businesses and exports abroad. That perspective is unlikely to change in the short term, especially given Brazil's moratorium on debt service and the resultant concern as to whether short-term trade and interbank lines will continue to be rolled over for Brazilian bank branches overseas. One Brazilian banker of a major banking conglomerate commented that private Brazilian banks overseas should be in a strong position because they have had enough time to prepare themselves.

Whether Brazilian banks could play a role domestically in debt to equity conversions, if and when the Brazilian Government issues regulations on the subject, is open to debate. Opinions vary. One view is that Brazilian banks could provide a valuable investment vehicle (such as funds or investments to the more than 700 banks that have outstanding loans to Brazil; another is that Brazilian banks should never have been in the past, and not now be, involved in repassing foreign funds.

One international banker said that, since Brazilian banks know the market, have analytical tools and an understanding of financial markets, there "could well be a role for them to intermediate." Another finds the potential for debt to equity conversion a "fascinating new market," that could have substantial impact for the country.

The options could range from capitalising existing multinational operations, to capital injections into the stock market—where Brazilian banks could play a role, to more "exotic" projects such as transportation, mining or irrigation investments.

The banking systems' prospects for the year depend much on yet-to-be defined government policies for the economy. While central bank rules and regulations change with each month's inflation and economic prognosis, bankers continue to be nimble, adapting to ever-changing market opportunities. Through the first quarter, private banks are thought to have done well, returning to near pre-cruzado plan operations and profits.

Ann Charters

East Africa

Big three dominate

THE BANKING system in Kenya is one of the most developed in Africa but there are signs that growth has been insufficiently regulated.

Its recent history has been marked by a combination of record deposits and profits for the three dominant banks, Barclays, Standard Chartered and the government-owned Kenya Commercial Bank, and the failure of several private local financial institutions.

Kenya's good communications and the relative political stability and prosperity have led to the establishment of 26 local and foreign banks, and more than 40, mainly local, finance houses. A warning sign that this growth was inadequately regulated came in 1984, however, when the local finance house, Rural Urban Credit Finance, failed. Anxieties grew in the middle of 1986 when—despite high liquidity from record earnings from coffee and tourism and low oil prices—Union Bank, Continental Bank, Continental Credit Finance, and Pioneer Building Society all closed.

A number of small depositors have been paid and various reconstruction plans are still being discussed, but a total of about $100m in depositors' funds is still believed to be at risk.

The Big Three banks all say that these failures, and a consequent lack of trust in the other newer local institutions, contributed to the rapid growth in their deposits in 1986, though the healthy economic situation was another major factor.

Barclays Bank Kenya has concentrated on expansion into commercially viable areas, building five new branches, and rebuilding or refurbishing at least ten more in 1986. It reported pre-tax profits up 40 per cent for the year to KSh 270m, on deposits up 38 per cent to KSh 6.4bn. It won 58,000 new customers. Since May 1986 it has been 30 per cent owned by the 40,000 Kenyans who were successful in a public share issue.

It plans to expand into areas "where we believe business is growing" says managing director Mr Nic Clark. Barclays has about 20 per cent of the general banking market, and 32 per cent of the savings market. Its main problem, according to Mr Clark, is finding enough sound private businesses, farmers or entrepreneurs to which to lend the flood of deposits.

Kenya Commercial Bank is also expanding its branch network, but Dr Benjamin Kipkorir, its chairman, accepts that many of the new rural sites are "not commercial at all." Banking sources have said it has come under pressure from local politicians who want branches in their area. Dr Kipkorir counters that the investment in new branches means it now has 53 per cent of all the banking outlets in Kenya. He hopes its 58 full branches and numerous sub-branches and mobile units, will generate profits in the long term, even if expansion has reduced them in the short.

The KCB group reported profits up 27 per cent to KSh 171m for 1986, but after the subtraction of dividends from its two subsidiary finance houses, the bank itself appears to have generated just KSh 54m, despite an increase in deposits of about KSh 1bn to just under KSh 6bn. The government, which provided all the group's capital of KSh 100m in 1976, will however receive a KSh 20m dividend for the second year running. KCB has about 18 per cent of the general banking market, and about 28 per cent of the savings market.

Standard Chartered, the first branch of which was opened in 1911, making it the oldest bank in Kenya, was locally incorporated on January 1, 1986. Managing director Mr Jim Heaton says it is "giving consideration to an issue of shares to the Kenyan public at the appropriate time." This is believed to mean 1988 at the earliest. Standard Chartered has been much more cautious than the other majors, and has not added to its 37 branches for two years. It does not yet have to release audited figures but Mr Heaton says its deposits also increased by around KSh 1bn to approaching KSh 6bn in 1986 contributing to a 100 per cent increase in profits to about KSh 150m. It claims nearly 20 per cent of the general banking market, but is not believed to have increased its share of the savings market, where it is reckoned to have about 20 per cent, in line with the others.

The major concerns of all three, apart from the worry that falling coffee prices and rising oil prices will squeeze deposits this year, are the state of the independent finance houses, and the new regulations that the Central Bank of Kenya has introduced. From December last year all banks and finance houses have had to place 6 per cent of their deposits with the central bank, without interest, and by May next year they will have to have capital and reserves equivalent to 7.5 per cent of total deposits, as against 5 per cent now.

According to Dr Kipkorir, "if the regulations are fully enforced there will be a crisis." He said even KCB would find it difficult to meet the requirements, but was mainly referring to the finance houses, many of which are already undercapitalised. They would find it difficult to raise more capital, and so the regulations would force them to refuse deposits or even to hand them back, putting severe pressure on their liquidity. He reckons rationalisation of the finance houses, probably through mergers, is urgently needed.

Other bankers go further. The same pressure for "indigenisation of the economy" that has encouraged Barclays and Standard Chartered to consider local share issues has favoured the formation of local finance houses. This has been further encouraged by the difficulties experienced by major banks in absorbing the recent rapid increase in deposits.

Financial discipline in the finance houses is often lax. The financial institutions that have failed have a sorry history of large interest free loans to directors and reckless lending in pursuit of political support. None of the major banks believe the finance houses have much to offer in developing a secondary market which is already difficult because such instruments as treasury bills can only be bought from, or sold to, the treasury.

The long-term ambition is to make Nairobi a major continental banking centre, as the influence of Johannesburg fades. Exchange Control remains the largest obstacle to these ambitions. There have been suggestions of an Afrodollar or some such device to enable banks to deal in convertible currencies.

The Kenya shilling is by African standards a strong currency, with a relatively low black market premium of around 20 per cent. This compares to around 150 per cent in Tanzania, where banking is anyway a monopoly of the state-owned National Bank of Commerce, and 1,000 per cent in Uganda, where the local currency is virtually unconvertible. However, Dr Kipkorir remains sceptical about Kenya becoming a major international finance centre soon. "You cannot have a foreign exchange market in a developing country," he argued.

Andrew Buckoke

South Africa

Disinvestment moves

SOUTH AFRICA'S growing isolation from the global trend towards greater integration of banking and financial markets has deepened over the last six months with the sale of Barclays National Bank, disengagement by Hill Samuel and the quiet departure of the Bank of Tokyo.

For Barclays, which sold out its remaining 40 per cent stake in South Africa's largest commercial bank to Anglo American Corporation and its stablemates De Beers and Southern Life Assurance for 527m rand, the stigma of being tarred "Boerclays Bank" became just too much of a handicap to future prospects in its targeted growth markets in the US and elsewhere.

A similar logic lay behind merchant bankers Hill Samuel's decision to dilute its former 72 per cent stake in Hill Samuel S.A. to a minority 13 per cent at the end of the year.

In both cases the decision was taken despite the fact that the proceeds had to be repatriated at a hefty discount through the financial rand, re-introduced in September 1985 as part of the partial moratorium on debt repayment.

Departures left Standard Chartered, holders of 39 per cent of the equity of Stanbic, South Africa's second largest banking group, looking uncomfortably exposed to the attentions of the anti-apartheid pressure groups abroad.

Ironically, shortly after Barclays plc moved decisively to shed its South African connection, Mr Chris Ball, managing director of the by now South African-owned bank, became the subject of a judicial enquiry set up at the demand of President P. W. Botha himself to enquire into allegations that Barclays had helped finance a newspaper advertisement campaign by the anti-apartheid United Democratic Front (UDF) calling for the unbanning of the African National Congress (ANC). Having lost the tag of Boerclays Bank local wags now simply called it the B-ANC. Neither Barclays top management nor the business community seemed very amused.

Despite major disinvestment moves in the banking sector however the standing of South Africa as a debtor has improved significantly following the signature of a three year debt rescheduling agreement in London on March 24, three months before the original one year interim agreement expired.

Under the terms of this agreement with the 34 major foreign creditor banks South Africa will repay $1.42bn of its outstanding commercial bank debt of around $13bn over the next three years. It will also continue to repay the maturing portion of the original $10.3bn of official and other debt which was kept "outside the net" of September 1985's partial moratorium.

Currency: Rand	1982	1983	1984	1985	1986
Real GDP Growth (% from prev yr)	−1.2	−2.5	5.1	−1.1	1.2
Inflation (%)	14.7	12.3	11.7	16.2	18.6
Current Account Balance (US$m)	−3,160	6	−1,590	2,624	2,800
Exchange Rate: Rand per US$	1.08	1.11	1.44	2.19	2.27
Trade Weighted Index (1971=100)	71	74	61	41	33
Real Trade Weigh Ind (1971=100)	114	126	106	81	81

Several factors helped to facilitate the agreement and permitted the South African negotiating team led by Dr Chris Stals, director-general of the Treasury, to fend off demands for higher repayment of capital. Among the most important were the honouring of South Africa's commitment to service all loans both inside and outside the net at a time when much larger debtors, especially in Latin America, were presenting banks with a major non-performing loan problem.

Expectations of a higher gold bullion price and a current account surplus equivalent to 5 per cent of gross domestic product were other reassuring indications coupled with a growing sense that, whatever South Africa's political shortcomings, the country was not about to slide into anarchy or revolution in short order.

The negative side of last year's over 7bn rand current account surplus however was a sluggish domestic economy which depressed demand for imports and permitted export growth but resulted in a below target 0.7 per cent growth rate and a sharp decline in credit demand.

The combination of low growth, declining real interest rates, a sharp drop in credit demand and foreign business coupled with another year of heavy provision for bad debt made 1986 a year which most South African banks would like to forget.

According to the Reserve Bank, total bank credit rose by only 3.4 per cent last year, a sharp decline in real terms given the over 18 per cent inflation rate which also resulted in a continuing rise in banking costs and squeeze on profits.

Standard, the most profitable bank, managed to raise net after-tax profits from 190m rand to 214.5m last year but had to set aside 187.6m rand for bad debts, up from 162m in 1985 which was itself double the 1984 provision.

Other banks faced a similar bad debt problem although the sharp decline in interest rates and fierce cost cutting have transformed the profitability of most sections of South African business over the last year so improving the bad debt outlook for 1987.

Despite negative real interest rates, higher company profits and incipient faster growth there is still little sign of a marked recovery in investment or credit demand. Interest rates have been on a declining trend for nearly two years. The Reserve Bank dropped its bank rate 3.5 per cent to 9.5 per cent over the course of last year followed by the clearing banks whose prime rate fell 4.5 per cent to 12 per cent over the same period. Money market rates also dropped substantially.

Faced with such a low demand for credit domestically the banks have moved aggressively into export financing which showed up as a 2.7bn rand capital outflow over the last quarter of 1986 and represents an increase in short-term foreign assets. But a sustained recovery in bank lending and profitability still hangs on a recovery of consumer and business confidence and this remains heavily conditional on the evolution of the political situation.

Anthony Robinson

Nigeria

Tougher competition

BANKING IN Nigeria has become a whole new ball game in the past nine months, mainly reflecting the launch of the second tier foreign exchange market (SFEM) in September.

As one leading Lagos banker puts it: "The new system is sorting out the men from the boys. Nigerian banking has suddenly become much more technical and complicated."

Not only are the bankers required to advise clients on how high they need to bid to secure their foreign currency needs, but the tightening of liquidity in the money market and the attempts to establish an inter-bank market, have put a premium on technical expertise that did not exist before.

The liquidity situation changed dramatically in the second half of 1986 as the authorities (aware that excess liquidity would rapidly undermine the foreign currency auction) squeezed cash out of the system before launching the auction.

At the end of 1985, the liquidity ratio of the banks (total liquid assets as a proportion of deposits) had risen to 66 per cent from 45 per cent three years earlier. This was the result of bank financing of the huge government budget deficits, on the one hand, and the lack of investment opportunities in a depressed economy. Government borrowings virtually trebled, from less than N6bn in 1981 to N17.5bn in 1985. Indeed, the system was so flush with cash that banks were even turning away depositors.

Currency: Naira	1982	1983	1984	1985	1986
Real GDP Growth (% from prev yr)	0.0	−8.5	−5.5	2.5	−4.0
Inflation (%)	7.7	23.2	39.6	5.5	10.0
Current Account Balance (US$m)	−7,241	−4,337	119	1,265	−1,500
Exch Rate: Naira per US$	0.67	0.72	0.76	0.89	1.35

The domestic liquidity position tightened dramatically in the second half of 1986 as the central bank called in naira deposits lodged with the banks by importers against foreign exchange payments. Furthermore, when the auction started importers were required to pay up front for their foreign currency. These two developments drained an estimated N9bn from the system.

As a result, the money supply, after increasing 16 per cent in 1985, actually declined last year and interest rates firmed. The maximum lending rate was raised to 15 per cent from 13 per cent last October, while the minimum rates payable on savings and time deposits were set at 11 and 12 per cent respectively. This is a radical change from the pre-auction situation in which banks with "free" deposits were able to lodge their funds in riskless investments, such as government treasury bills, and earn 8 per cent on their money.

The technical ability of Nigerian bankers is coming under close scrutiny, too, following the Government's decision to adopt the dutch-auction system in the foreign exchange market. This means that clients will have to pay the actual rate they bid for foreign currency, rather than the marginal rate for the auction as a whole. Clients who are poorly advised by their banks will end up paying an unnecessary premium for their currency.

The signs are that bank profitability will decline markedly in 1987-88 while bad loan provisions will be sharply higher. The shake-out in the economy, dramatised by the closure of two motor assembly plants, as the reform programme starts to bite, will be manifested in company failures and closures, from which few banks are likely to escape unscathed.

While the structural adjustment programme is taxing banker skill and ingenuity, it also has some very positive aspects. For a start, securing foreign exchange is now much more straightforward. Gone are the days of endless delays while the cumbersome and frequently-corrupt Nigeria bureaucracy processed applications for foreign currency. Domestic banking regulation has been eased and simplified too.

Until 1984, the banks were required to meet bank credit criteria in 18 different sectors of the economy, with particular emphasis on lending to agriculture. Banks found it extremely difficult—indeed impossible—to meet these stipulated targets, and in the last three years, deregulation has been taking place. The number of sectors has been reduced from 18 to only two.

A distinction is now made only between high-priority sectors—agriculture, which receives a 15 per cent share, and manufacturing with 35 per cent—and the rest of the economy.

Despite Nigeria's severe balance of payments problems, international bank lending has continued to increase, rising from US$8bn at the end of 1984 to $10bn in December 1986. If non-bank trade-related credits are included, Nigeria's foreign commitments exceeded $12.5bn last December.

Bank lending to Nigeria will increase further this year in support of the World Bank-sponsored economic reform programme, to which the Nigerian military government is committed; but the willingness of banks and export credit agencies to lend to Lagos is heavily dependent on the Government's continued adherence to the far-reaching structural adjustment package.

If the Nigerians, already unhappy at the decline in the naira to its level of more than four naira to the US dollar, compared with parity with the dollar 18 month ago, back away from the reforms, bank credits will dry up altogether, and domestic deregulation and liberalisation will be halted. But, worried though Lagos may be by the naira's decline, it will be very difficult to revert to a fixed rate system which was a transparent failure anyway. All of which suggests that, having broken new ground in the past year, Nigeria banking is facing a period of intensified competition and continued change.

Tony Hawkins

North Africa

Three nations under strain

ALGERIA, MOROCCO and Tunisia today present a contrasting picture where their foreign debt is concerned. In many ways their situation mirrors the different attitude adopted towards foreign borrowing by less developed countries (LDCs) as a whole in recent years.

Throughout the 1970s, major Algerian state borrowers raised large sums of money abroad in order to finance the country's ambitious industrialisation programme. By the late 1970s, as bankers became concerned at the growing weight of foreign debt, Algerian borrowers found themselves paying higher interest rate margins than other third-world borrowers.

The second oil price rise, in 1979, was followed by Algeria's decision to re-evaluate its industrialisation plans, and improve productivity, rather than continue building so many plants. The result was a sharp curtailing of new borrowings. When Algerian borrowers reappeared in 1983, their paper was eagerly sought by banks, and the spread over the interbank rate they paid very fine.

As the country was able to maintain its foreign earnings on a more even keel than most other Opec members, its banks found little difficulty in raising large sums of money. Last year, however, the going became more difficult as the country's foreign income plunged in the wake of the collapse in the price of oil.

Algerian borrowers, however, continued to enjoy access to the market, raising an estimated $2-$3bn, albeit on more onerous terms. During the past few months, the process of raising money has become more difficult. A £75m acceptance facility, due to be arranged by Lloyds Bank, was cancelled after the lead manager had found it impossible to get the deal underwritten on the terms it had originally offered the Banque Exterieure d'Algerie.

Loans, however, continue to be raised, notably through Japanese banks. Algerian bankers enjoy a reputation for hard bargaining, which served them well when the price of oil was high—but does not always help today. Equally annoying, in the eyes of many bankers, is the lack of reliable up-to-date information on the country's hydrocarbons earnings and balance of payments. That makes the arguments of those banks which feel it more prudent to cut back their ceiling on Algeria carry more weight.

However, Algeria remains, of all Opec members which have borrowed heavily over the past 10 years or so, the one that has easiest access to the market. Nor has any of the major western export credit organisations downgraded Algerian risk.

Morocco, in sharp contrast, built up foreign debt rather more slowly in the 1970s; while Tunisia remained, at least until 1985, a very prudent borrower indeed. Morocco, however, ran into difficulties in 1980 when it had to turn to the IMF. Increasingly, its borrowing had been earmarked to finance its balance-of-payments deficit. By 1980, a combinaton of drought, a rising US dollar, rising oil prices and the heavy cost of the conflict over the future of the western Sahara, were taking their toll.

All these factors forced Morocco to the renegotiating table in August 1983, but rescheduling the country's debt took until December of last year. Indeed, while Paris Club debt had been successfully rescheduled on two occasions, the last one being in March this year, negotiations with the bankers were concluded only at the end of 1987. Furthermore, Morocco, on two occasions fell foul of the IMF, which felt the kingdom could be doing more to respect mutually-agreed economic and financial targets.

Plentiful rain, a decline in the US dollar and interest rates, not to mention the collapse in the price of oil, all helped the kingdom which, in the past year or so has been making greater efforts to start implementing reforms which the IMF holds dear.

It has also been the recipient of large World Bank loans, while the king's decision to break his treaty of friendship with the Libyan leader last August has fully restored him as the United States' paramount ally in North-west Africa. This helped his country secure full support from US banks, which, together with much help from France, have granted Morocco very favourable terms for rescheduling its debt.

That debt, however, at $17.27bn, remains equivalent to the country's GDP, and finding fresh money will be no easy task.

TUNISIA

Currency: Tunisian Dinar	1982	1983	1984	1985	1986
Real GDP Growth (% from prev yr)	−0.5	4.7	5.9	5.5	−1.4
Inflation (%)	13.6	8.9	8.4	8.0	7.0
Current Account Balance (US$m)	−659	−573	−729	−536	−750
Exchange Rate: Dinars per US$	0.59	0.68	0.78	0.83	0.79

MOROCCO

Currency: Dirham	1982	1983	1984	1985	1986
Real GDP Growth (% from prev yr)	5.6	2.3	2.1	4.3	4.9
Inflation (%)	10.5	6.2	12.4	7.7	9.0
Current Account Balance (US$m)	−1,878	−892	−988	−800	−200
Exch Rate: Dirhams per US$	6.02	7.11	8.81	10.06	9.07

ALGERIA

Currency: Dinar	1982	1983	1984	1985	1986
Real GDP Growth (% from prev yr)	−5.3	5.3	5.0	5.5	3.0
Inflation (%)	6.7	7.8	7.1	10.7	n.a.
Current Account Balance (US$m)	−183	−85	74	1,015	−1,800
Exchange Rate: Dinars per US$	4.59	4.79	4.98	5.03	4.70

Tunisia was, until the early 1980s, held up by major lending organisations and western banks as a model of third-world economic development.

The model, however, came under serious strain after 1980, as the second round of oil price rises (at the time, oil export accounted for more than 40 per cent of the country's hard currency income) encouraged the launch of capital-intensive projects that were often ill-suited and ill-conceived for this small country. The serious riots which, in January 1984, greeted the cut in bread subsidies made the life of the Tunisian Government even more difficult.

Last year, the combined effects of the collapse in the price of oil, a bad crop, and a bad tourist season resulting from the US air raid on the nearby Libyan capital, forced the country to devalue the dinar by 10 per cent (over 18 months, that devaluation has amounted to about 40 per cent) and negotiate loans with the IMF and the World Bank.

At the same time, measures aimed at liberalising the economy were introduced and the budget severely pruned.

Last February, Tunisia secured a pledge of $250m-worth of concessionary funds and a promise of a further $50m from its major western and Arab friends. If the country needs a further $150m from international banks this year, it should not meet any great difficulties.

The next few years will confront Tunisian leaders with many difficult decisions, probably no less than is the case in Algeria and Morocco. While political uncertainty is greater in Tunisia, on account of the age of President Habib Bourguiba, the country has shown a capacity to move faster in reforming its economy than Algeria, let alone Morocco. All three countries, however, face a future which, to a greater degree than in most African countries, will depend on how well they rise to the challenge of economic and financial reform.

Francis Ghiles